ACN 112 731 638

NOTICE OF GENERAL MEETING

to approve the Cardinal House transaction

TIME:	9am (WST)
DATE:	11 April 2016
PLACE:	32 Harrogate Street West Leederville, Western Australia 6007

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 6181 9793

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should consult their professional advisers before voting.

Shareholders should refer to the Independent Expert's Report enclosed with this Notice of General Meeting.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 9am (WST) on 11 April 2016 at:

32 Harrogate Street
West Leederville, Western Australia 6007

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy please fill out and sign the enclosed Proxy Form and return it:

(a) by mail to Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;

(b) by facsimile to Link Market Services Limited on facsimile number +61 2 9287 0309;

(c) by hand to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138; or

(d) online by visiting www.linkmarketservices.com.au, Select 'Investor Login' and enter Fe Limited or the ASX code (FEL) in the Issuer name field, your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your proxy form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website,

so that it is received not later than 9am (WST) on 9 April 2016.

Proxy Forms received later than this time will be invalid.

PROXY VOTING

Shareholders are advised that:

(a) each Shareholder has a right to appoint a proxy;

(b) the proxy need not be a Shareholder of the Company; and

(c) a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that pursuant to 250BB and 250BC of the Corporations Act:

(a) if the proxy votes, they must cast all directed proxies as directed; and

(b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

Proxy vote if appointment specifies way to vote

Section 250BB (1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

(a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and

(b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and

(c) if the proxy is the Chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and

(d) if the proxy is not the Chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

(a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and

(b) the appointed proxy is not the Chair; and

(c) at the meeting, a poll is duly demanded on the resolution; and

(d) either of the following applies:

  (i) the proxy is not recorded as attending the meeting; or

  (ii) the proxy does not vote on the resolution,

the Chair is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

Important Notice

Some of the statements appearing in this Notice may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which the Company operates and proposes to operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets, among other things. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. No forward looking statement is a guarantee or representation as to future performance or any other future matters, which will be influenced by a number of factors and subject to various uncertainties and contingencies, many of which will be outside the Company's control.

The Company does not undertake any obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of this Notice or to reflect the occurrence of unanticipated events. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions or conclusions contained in this Notice. To the maximum extent permitted by law, none of the Company, its Directors, employees, advisors or agents, nor any other person, accepts any liability for any loss arising from the use of the information contained in this Notice. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Notice reflect views held only as at the date of this Notice.

This Notice is not an offer, invitation or recommendation to subscribe for, or purchase securities in the Company. Nor does this Notice constitute investment or financial product advice (nor tax, accounting or legal advice) and is not intended to be used for the basis of making an investment decision. Investors should obtain their own advice before making any decision in relation to the Resolutions. By reviewing or retaining this Notice, you acknowledge and represent that you have read, understood and accepted the terms of this important notice.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders will be held at 9am (WST) on 11 April 2016 at 32 Harrogate Street, West Leederville, Western Australia.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined under Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company as at 9am (WST) on 9 April 2016.

Accordingly, Share transfers registered after that time will be disregarded in determining any entitlement to attend and vote at the Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

The Company has entered into a conditional binding Share Sale Agreement (**Agreement**) with Cardinal House Group Pty Ltd (**Cardinal House**) and Cardinal House's existing shareholders (together with their nominees described below, the **Vendors**), to acquire 100% of the issued shares of Cardinal House (**Transaction**). If the Transaction is completed, it will result in the Company changing the nature and scale of its activities. The Company is required to seek Shareholders' approval for this and other aspects of the Transaction. The Explanatory Statement provides further details.

1. RESOLUTION 1 – CHANGE TO THE NATURE AND SCALE OF ACTIVITIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to Shareholders passing the other Resolutions in this Notice, for the purpose of Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to:

(a) make a significant change in the nature and scale of its activities as described in the Explanatory Statement; and

(b) issue the Shares referred to in Resolution 5 at an issue price of $0.027 per Share; and

(c) to issue the Options referred to in Resolutions 6, 7, 8, 9, 10 and 11 at an exercise price of $0.032 for each Class A Option, and $0.038 for each Class B Option."

2. RESOLUTION 2 – ELECTION OF DIRECTOR – GRAHAM MARTIN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to Shareholders passing the other Resolutions in this Notice, for the purpose of clause 13.3 of the Constitution and for all other purposes, Graham Martin is elected as a Director, subject to and with effect upon Completion under the Agreement."

3. RESOLUTION 3 – ELECTION OF DIRECTOR – PAUL CARROLL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to Shareholders passing the other Resolutions in this Notice, for the purpose of clause 13.3 of the Constitution and for all other purposes, Paul Carroll is elected as a Director, subject to and with effect upon Completion under the Agreement."*

4. RESOLUTION 4 – ISSUE OF SHARES AS VENDOR CONSIDERATION AND APPROVAL TO ISSUE SHARES CONVERTIBLE FROM VENDOR OPTIONS AND CONVERTING LOAN

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

> *"That, subject to Shareholders passing the other Resolutions in this Notice, for the purposes of ss611 (Item 7) and 208 of the Corporations Act, and for all other purposes, approval is given for:*
>
> *(a) the Company to issue up to 300,000,000 Shares to the Vendors in consideration for the acquisition of all the shares of Cardinal House under the Agreement;*
>
> *(b) the Company to issue up to 10,000,000 Shares to Graham Martin (or his nominee), on exercise of the Options proposed to be issued under Resolution 7; and*
>
> *(c) the Company to issue up to 5,000,000 Shares to Paul Carroll (or his nominee), on exercise of the Options proposed to be issued under Resolution 8;*
>
> *(d) the Company to issue up to 2,500,000 Shares to Richard Boyd (or his nominee), on exercise of that number of Options proposed to be issued to him or his nominee under Resolution 11;*
>
> *(e) the Company to issue up to 8,333,333 Shares to Momentum North (or its nominee) following conversion of Momentum North's converting loan referred to in Resolution 12; and*
>
> *(f) an increase in the Vendors' and their associates' combined voting power in the Company from 0.027% to up to 50.35% as a result of the issues referred to in (a), (b), (c), (d) and (e) of this Resolution,*
>
> *on the terms set out in the Explanatory Statement."*

5. RESOLUTION 5 – ISSUE OF SHARES – CAPITAL RAISING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to Shareholders passing the other Resolutions in this Notice, for the purpose of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 81,481,481 Shares at an issue price of $0.027 per Share to investors who the Company invites to subscribe under a Prospectus and otherwise on the terms set out in the Explanatory Statement."*

6. RESOLUTION 6 – APPROVAL OF INCENTIVE PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to Shareholders passing the other Resolutions in this Notice, for the purpose of Listing Rule 7.2 exception 9(b) and for all other purposes, approval is given for the Company to adopt the Incentive Plan and for the issue of securities under that Incentive Plan, on the terms set out in the Explanatory Statement."*

7. RESOLUTION 7 – ISSUE OF OPTIONS TO GRAHAM MARTIN

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

> *"That, subject to Shareholders passing the other Resolutions in this Notice, for the purpose of Listing Rule 10.14, s208 of the Corporations Act and for all other purposes, approval is given for the Company to issue to Graham Martin or his nominee up to 5,000,000 Class A Options exercisable at $0.032 each on or before the date which is two years after the date of issue of those Options (subject to a vesting condition) and 5,000,000 Class B Options exercisable at $0.038 each on or before the date which is two years after the date of issue of those Options (subject to a vesting condition), in each case on the terms set out in the Explanatory Statement."*

8. RESOLUTION 8 – ISSUE OF OPTIONS TO PAUL CARROLL

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

> *"That, subject to Shareholders passing the other Resolutions in this Notice, for the purpose of Listing Rule 10.14, s208 of the Corporations Act and for all other purposes, approval is given for the Company to issue to Paul Carroll or his nominee up to 5,000,000 Class A Options exercisable at $0.032 each on or before the date which is two years after the date of issue of those Options (subject to a vesting condition) on the terms set out in the Explanatory Statement."*

9. RESOLUTION 9 – ISSUE OF OPTIONS TO TONY SAGE

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

> *"That, subject to Shareholders passing the other Resolutions in this Notice, for the purpose of Listing Rule 10.14, s208 of the Corporations Act and for all other purposes, approval is given for the Company to issue to Tony Sage or his nominee up to 5,000,000 Class A Options exercisable at $0.032 each on or before the date which is two years after the date of issue of those Options (subject to a vesting condition) on the terms set out in the Explanatory Statement."*

10. RESOLUTION 10 – ISSUE OF OPTIONS TO MARK GWYNNE

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

> *"That, subject to Shareholders passing the other Resolutions in this Notice, for the purpose of Listing Rule 10.14, s208 of the Corporations Act and for all other purposes, approval is given for the Company to issue to Mark Gwynne or his nominee up to 5,000,000 Class A Options exercisable at $0.032 each on or before the date which is two years after the date of issue of those Options (subject to a vesting condition) on the terms set out in the Explanatory Statement."*

11. RESOLUTION 11 – ISSUE OF OPTIONS TO UNRELATED PARTIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to Shareholders passing the other Resolutions in this Notice, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 35,000,000 Class A Options exercisable at $0.032 each on or before the date which is two years after the date of issue of those Options (subject to a vesting condition) to parties (or their nominees) which are not related parties of the Company, on the terms set out in the Explanatory Statement."

12. RESOLUTION 12 – ISSUE OF SHARES – CONVERTING LOAN AGREEMENTS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purpose of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 35,954,999 Shares to Lenders (or their nominees), at a deemed issue price of $0.012 per Share on the terms set out in the Explanatory Statement."

13. RESOLUTION 13 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, subject to Shareholders passing the other Resolutions in this Notice, for the purposes of Section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to Cardinal House Group Limited, subject to and with effect following Completion under the Agreement."

Voting Exclusions

The Company will disregard any votes cast on each Resolution referred to below by the persons named below in relation to that Resolution and any associates of those persons. In all cases, the Company will disregard votes by a person whose votes, in ASX's opinion, should be disregarded. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Resolutions to which voting exclusions apply and the excluded people are:

- Resolution 1, any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed;
- Resolution 4, each of the Vendors (including the nominees of the shareholders of Cardinal House);
- Resolution 5, 11 and 12, a person who might participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed;
- Resolution 6, the Directors and their nominees; and
- Resolutions 7, 8, 9 and 10, the Directors, the Proposed Directors and their nominees.

Voting Prohibition Statement

A person appointed as a proxy must not vote, on the basis of that appointment, on any of the Resolutions (given their interconditionality), if:

(a) the proxy is either:

   (i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

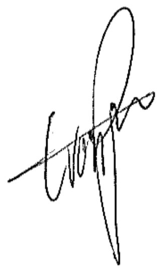
(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(c) the proxy is the Chair; and

(d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

DATED: 2 March 2016
BY ORDER OF THE BOARD



ELOISE VON PUTTKAMMER
FE LIMITED
COMPANY SECRETARY

EXPLANATORY STATEMENT

1. RESOLUTION 1 – CHANGE TO THE NATURE AND SCALE OF ACTIVITIES

1.1 The Transaction in brief

The Company has entered into a conditional binding Agreement with Cardinal House and the Vendors to acquire 100% of the issued shares of Cardinal House. If the Transaction is completed, it will result in the Company changing the nature and scale of its activities. The Company is required to seek Shareholders' approval for this and other aspects of the Transaction.

The Transaction involves:

- the Company acquiring 100% of the issued shares of Cardinal House, resulting in Cardinal House becoming a wholly-owned subsidiary of the Company and the Company's business changing to become Cardinal House's business;
- the Company issuing the Vendors up to 300,000,000 Shares as consideration for the acquisition;
- the Company raising at least $2 million by the offer of Shares under a Prospectus;
- changes to the Company's Board as described in Section 1.11; and
- the Company issuing Options to its proposed continuing Directors and parties which are not related parties of the Company.

If the Transaction proceeds, the Company expects to dispose of its existing mining exploration business, the details of which have been previously disclosed via the Company's ASX announcements. There are no current proposals for the disposition of these assets and the Company expects to conduct an orderly sale process over a period of months, subject to all regulatory and contractual requirements and subject to whether a buyer can be found.

The Independent Expert's Report states that the expert considers that the proposed Share issues the subject of Resolution 4 are not fair but reasonable to Shareholders (whose votes are not disregarded).

Your Directors recommend you vote in favour of the Resolutions (excepting those in which they have an interest, as explained in Sections 6.2(v) and 6.2(w) of this Explanatory Statement).

1.2 Indicative timetable

The indicative timetable for the Transaction is:

Dispatch Notice of Meeting	March 2016
Complete due diligence on Cardinal House	March 2016
Lodgement of Prospectus	April 2016
Shareholder Meeting	April 2016
Closing Date of Prospectus Offer	April 2016
Complete Transaction	May 2016
Re-instatement to trading on ASX (subject to ASX's discretion)	May 2016

These dates are indicative and subject to change without notice.

The Company expects its Shares will be suspended prior to market open on the day of the Meeting. If Shareholders pass the Resolutions, it is expected that the Company's Shares will remain suspended from quotation until Completion and re-compliance with Chapters 1 and 2 of the Listing Rules, including by satisfaction of ASX's conditions to reinstatement.

1.3 Need for approval – Listing Rule 11.1

Listing Rule 11.1 requires the Company to seek Shareholder approval for the significant change to the nature or scale of its activities contemplated by the Transaction. Resolution 1 seeks Shareholder approval for the Company's entry into the Transaction.

The Company will seek to re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules, as also required by Listing Rule 11.1.

The detailed information required for Listing Rule 11.1 is set out in this Section 1. This information is also relevant to the other Resolutions.

1.4 Specific approval of issue prices of Shares and Options

ASX's Listing Rules would ordinarily require that the issue price of the Shares to be issued under the Transaction and the exercise price of the Options proposed for issue under the Resolutions be at least 20 cents. ASX has waived this requirement, allowing the issue of the Shares the subject of Resolution 5 at less than 20 cents and the exercise price of the Options the subject of the Resolutions to be less than 20 cents provided, among other conditions, those prices are not less than 2 cents. This waiver requires the price of the Shares to be issued under the Transaction to be specifically approved by Shareholders.

For this reason, the Company is seeking Shareholder approval under Resolution 1 for the Company to:

(a) issue the Shares referred to in Resolution 5 at an issue price of $0.027 per Share; and

(b) to issue the Options referred to in Resolutions 6, 7, 8, 9, 10 and 11 at an exercise price of $0.032 for Class A Options, and $0.038 for Class B Options.

1.5 Conditions to the Transaction

Under the Agreement, Completion is subject to these conditions being satisfied:

(a) the Company completing financial and legal due diligence on Cardinal House to the Company's satisfaction, in its sole discretion;

(b) the Company having obtained all necessary shareholder approvals required by the Corporations Act and the Listing Rules in relation to the Agreement and in relation to such other matters as determined by the Company;

(c) Cardinal House providing to the Company consolidated financial statements in respect of Cardinal House for the period from its incorporation up until:

  (i) 30 September 2015;

  (ii) 31 October 2015; and

  (iii) the end of each calendar month until the satisfaction or waiver of the other conditions to the Transaction;

(d) the Company entering into an agreement providing for Mr Paul Carroll to act as the Company's managing director;

(e) the Company shall not incur expenses in excess of $50,000 between 25 September 2015 and completion of the Transaction other than:

  (i) expenses relating to the transactions contemplated by the Agreement such as, but not limited to, legal fees, accounting fees and corporate advisory fees;

(ii) expenses relating to transactions which the Company determines will be conducted prior to or contemporaneously with the Company's re-compliance with Chapters 1 and 2 of the Listing Rules, including issues of further securities in the Company;

(iii) expenses relating to the Company maintaining its current business operations and regulatory obligations such as, but not limited to, registered office fees, ASX listing fees, compliance fees, insurances and registry fees; and

(iv) expenses incurred with the prior written consent of the Cardinal House;

(f) the Company confirming it can raise a minimum of $2,000,000, or such other amount as the Company determines, pursuant to a capital raising at a price to be determined by the Company's board (such capital raising to be settled on or about Completion) and the Company obtaining conditional approval to be reinstated to quotation, subject to conditions acceptable to the Company; and

(g) all necessary statutory and regulatory approvals and any other third party consents or waivers necessary or desirable for Completion.

1.6 Overview of Cardinal House and the gaming and gambling industry

About Cardinal House

Cardinal House is an Australian proprietary company limited by shares that was incorporated on 8 July 2015.

Cardinal House proposes to become an innovative entertainment provider for business (B2B) and direct customer delivery (B2C) of interactive gaming and gambling, in addition to providing a compliant and fully integrated payment processing system.

Cardinal House is the holder of three conditional gaming licences issued by the Norfolk Island Gaming Authority. It has access to an exclusive gaming software platform and associated technology via an agreement with Bet Fun International Ltd (**Bet Fun**), and has aligned with Gameworkz Inc (**Gameworkz**) to provide managed gaming services and systems under an agreement. These licences and facilities are proposed to underpin its planned future operation in Australia and in international gaming markets.

Cardinal House's focus is on seeking to acquire an audience of national and international gaming markets where it proposes to offer safe, securely regulated real money gambling experiences and enriched user entertainment through highly enhanced social gaming networks.

Cardinal House's proposed product range is anticipated to be delivered via platform technology accessed from third parties. The platform technology is already fully operational in various international jurisdictions. It is proposed to include bingo initially and in future potentially one or more of:

- Fantasy Football;
- Lotto/Keno;
- Binary options; Sports betting;
- Virtual sports;
- Live streaming casino;
- eSports betting; and
- Social gaming.

The Asia Pacific represents a large prospective growth market for gaming services and Cardinal House is well placed to take advantage of these opportunities. Cardinal House is currently in B2B partnership negotiations with regional groups who operate across South-East Asia. The partnership agreements may also include the opportunity to deliver over-the-top content (OTT)/video on demand (VOD) and internet protocol TV (IPTV) solutions via multi-level digital platforms.

Cardinal House has the support of a team with significant industry experience led by Graham Martin, Chairman and Paul Carroll, Managing Director. Further information on these members of the Cardinal House team is set out in Sections 2.1 to 2.3.

Overview of proposed Cardinal House business – Bingo

Cardinal House proposes to initially commercialise and operate a selection of online bingo games (**Bingo**). The Bingo offering is proposed to be provided via the online gaming platform accessible at JumpingJackpots.com.au, a domain name held by Cardinal House.

Cardinal House's Bingo offering is targeted at a variety of demographic groups, from the casual player to a more sophisticated gaming enthusiast. The Bingo platform is anticipated to feature Australian centric games, graphics and promotions.

The Platform technology, which is to be licensed to Cardinal House under the agreement with Bet Fun described in Section 1.7(b), is multi-device compatible, suitable to use on devices such as (but not limited to) mobile/hand held devices, specialist set top boxes, computers and gaming consoles. The website is proposed to provide visitors with the opportunity to register or log-in as a new or returning player.

Once registered, a player will be able to purchase credits, which are credited to the player's account (**Credit**). In addition, a player may be eligible to receive Bonus Bucks (**BB**), which may only be used in gameplay. Registered users will be able to view their player account records including any remaining Credits or BBs that may be used for Bingo play.

In order to play a game of Bingo, the player must purchase a ticket using Credit or BBs (**Ticket**). The Ticket price of each Bingo game will be advertised and highly visible to website visitors. The Ticket price of a Bingo game will vary, offering players a range of options, with indicative prices per Ticket of $0.01 to $10 (subject to change). Players can purchase multiple Tickets for any game.

Cardinal House proposes to complement its real money Bingo by offering from time to time a variety of free games, including slots, keno and other similar themed games. Winners of these free games will receive free Bingo credits which can then be used to purchase Tickets in the real money Bingo offerings.

75 Ball Bingo

One of Cardinal House's real money Bingo offerings is proposed to be a 75 ball bingo game (**75 Ball Bingo**). Gameplay will last approximately four to five minutes. By purchasing a uniquely numbered Ticket, the player will be provided with a grid (5 by 5) of twenty-five squares. Various squares in the grid contain a specific number (1 through 75), and some remain empty or labelled "free."

Once the game commences, randomly generated numbers are made visible to the Ticket holder and if they appear on a player's Ticket, the square is either automatically marked off or marked by the player. A Ticket that reveals a pre-determined pattern wins the game (**Patterns**). The system will automatically identify any winning Tickets. There may be more than one winner per game. There are a variety of winning patterns that can apply to any particular game.

Initially, there will not be a guaranteed jackpot prize for the winner. The actual prize is determined by the number of players and number of Tickets purchased per game. The Ticket price and the number of Tickets purchased per game will determine the size of the prize (with higher Ticket prices and higher Ticket purchases increasing the prize). Where there is more than one winner, the prize is split in equal proportions between all individual winning Ticket holders. A winner's prize is credited to their player account.

90 Ball Bingo

A variation of the 75 Ball Bingo game described above is the 90 ball bingo game (**90 Ball Bingo**). In this game:

- gameplay lasts approximately six to eight minutes;
- a grid (3 by 9) of twenty-seven squares; and
- each square in the player's grid contains a different number (being a number from 1 to 90).

Social gaming features

Cardinal House's games are proposed to be developed to leverage unique social gaming features, including:

- Competition and social interaction and with other players and friends;
- Options to invite others players;
- Share achievements with other players;
- Public announcements of gameplay progress;
- Posting of gameplay progress and outcomes on social media channels; and
- Chat room facilities to allow online player interaction.

Revenue model

Cardinal House's revenue model is comparable to other operators in the online gaming and gambling industry. No forecast is made of whether revenue will eventuate for the Company or Cardinal House as that will depend on factors outside of their control, such as whether players choose to play the games which may be offered.

Cardinal House's gross margin in respect of Bingo is indicatively anticipated to be determined as follows:

Item	**Details**	**Comments**
Gross Revenue		Player purchases of Tickets
Minus:	Gaming duty	Duty paid or payable by Cardinal House calculated at 1% of Gross Revenue in accordance with the relevant License granted by the Norfolk Island Gaming Authority
Minus:	Cash withdrawals	All cash amounts redeemed or paid to players. These cash withdrawals constitute payouts to players, and payout ratios (determined by Cardinal House) are subject to regulatory review by Norfolk Island Gaming Authority
Minus:	Charge-backs	All other cash refunds, credits and charge-backs including without limitation,

		transactions billed back to Cardinal House by a financial institution, credit card provider, or payment processor after the corresponding payment has been settled; and all amounts (including without limitation, a rolling reserve) that a financial institution, credit card provider, or payment processor delays or fails to pay to Cardinal House for any reason whatsoever, and any sum due from a player in respect of a transaction which has been denied or cancelled by the player and charged back by that player's credit card company to that player
Minus:	Payments to Gaming Software Platform provider	
Minus:	Payments to Gaming Management System provider	
Minus:	Payment processing fees	
Equals	Gross Margin	

Advertising

Generating advertising revenue by advertising third party offerings is prohibited as a condition of Licenses associated with real money game offerings.

Generating advertising revenue by advertising third party offerings is not prohibited in relation to non-monetised ("free") game offerings. There is little doubt that online advertising and marketing is the new frontier and is steadily increasing in importance. As such, Cardinal House may seek out opportunities in this area, although there is no guarantee that will occur or whether any revenue will be received by Cardinal House or the Company.

As with any business model, changing circumstances may result in changes to the proposed business of Cardinal House and the Company.

Proposed Pipeline Products

As detailed above, Cardinal House proposes to initially aim to commercialise and operate its proposed online Bingo business. Cardinal House recognises the vast and fast-paced nature of growth opportunities in the online gaming and gambling sector. As such, it has adopted a strategy to seek to identify and, if the Board considers them commercially feasible, potentially develop a wide range of complementary product offerings (**Pipeline Products**).

Cardinal House has a development strategy to potentially identify and assess one or more Pipeline Products against the following criteria:

- target sectors will be the lotteries, online gaming, online gambling, Bookmaking and/or Betting Exchange sectors;

- can leverage Cardinal House's access to existing technologies and platform infrastructure through the Platform;

- can be drawn from the existing knowledge and experience of the Cardinal House management team;

- are capable of being operated using the granted Licenses (or any further regulatory approvals, if any are obtained in the future), subject to satisfying the relevant conditions and applicable laws;

- appear, within management's judgement, to be potentially financially feasible and commercially advantageous given Cardinal House's stage of development;

- carry acceptable levels of risk in management's judgement;

- are targeted at the large prospective growth market that is the Asia Pacific region; and

- may enhance player enjoyment and may increase player spend, retention and loyalty.

A timeline for the development and roll-out of the Pipeline Products is yet to be established. However, Cardinal House's management and the Board recognise that in order to remain innovative and competitive in the fast-paced online gaming and gambling sector, it will be necessary to move quickly to capitalise on opportunities as they arise. As such, Cardinal House anticipate that Pipeline Products may be introduced within the first twelve (12) months of commencing operations.

Pipeline Products which are currently being considered include:

- Fantasy Football;

- Lotto/Keno;

- Binary options;

- Sports betting;

- Virtual sports;

- Live streaming casino;

- eSports betting; and

- Social gaming.

Cardinal House is yet to develop a revenue model for Pipeline Products. A revenue model for a Pipeline Product will be developed at the point where it reaches pre-feasibility stage.

The Company and Cardinal House may seek to engage in strategic partnerships with third parties with established customer databases, with the goal of attracting market share for the proposed gaming business and increasing brand visibility.

In addition to seeking to establish the Bingo business and seeking to evaluate and potentially develop Pipeline Products, the Company may seek growth opportunities through other future acquisitions, including in the same or other industry sectors.

The Company makes no forecast as to whether it or Cardinal House will achieve these goals or develop or commercialise any Pipeline Products or other potential businesses.

Overview of interactive gaming and gambling industry

The interactive gaming and gambling market represents one of the fastest growing segments of the gambling industry.

Interactive gaming and gambling continues to grow rapidly in terms of its popularity, market share and product offerings due to the widespread usage of computers, tablets and smartphones. Australia has one of the world's highest rates of internet penetration and smartphone usage.

Key opportunities exist for Cardinal House in Australia and in international markets where interactive gaming and gambling is legalised and regulated. The market for interactive gaming and gambling has emerged from widespread access and usage of the internet, the increasing presence of gaming and gambling websites and applications, and the unquestionable consumer demand for these forms of entertainment delivered online.

1.7 Cardinal House's key assets and key contracts

(a) Licences

Cardinal House (**Licensee**) is the holder of the following conditional gaming licences issued in December 2015 by the Norfolk Island Gaming Authority under section 7 of the *Gaming Act 1998* (NI) and under sections 8 and 19A of the *Bookmakers and Betting Exchange Act 1998* (NI) (**Licences**):

Licence type	**Term**
Interactive home gaming	10 Years
To act as a bookmaker in respect of race meetings & sports betting and to operate a Betting Exchange	8 Years
Conduct interactive lotteries	10 Years

Summary of conditions of the Licences

The following table non-exhaustively summarises key conditions of the Licences issued to Cardinal House by the Norfolk Island Gaming Authority (**Authority**), as they apply to Cardinal House and its proposed business.

The Company anticipates that the relevant conditions precedent to Cardinal House being permitted to operate its proposed bingo business under the Lotteries Licence will need to be satisfied prior to the Company's reinstatement to trading on ASX's Official List at completion of the back-door listing process. As the other activities permitted by the Licences are not immediate priorities for Cardinal House to aim to commercialise, Cardinal House may not have satisfied the Licence conditions attaching to all those activities by the time of reinstatement (assuming ASX approves the reinstatement). The scope of the Resolutions seek Shareholders' approval for the Company to conduct, via Cardinal House or otherwise, the full spectrum of businesses covered by the Licences (and any equivalent licences in other jurisdictions, if any are obtained in future). Changing business conditions and other circumstances may warrant the Board's decision to proceed with all, part or none of those business activities in addition to the definite proposal to conduct the bingo business.

The Licences contain time limits for Cardinal House to commence the relevant business activities which they respectively cover. The time limit for commencing the Lotteries Licence activities and Interactive Home Gaming Licence activities is eighteen months from the date of issue. The time limit for commencing the Bookmaker and Betting Exchange Operator Licence is twelve months from the date of issue. The Authority may allow Cardinal House an additional six month period if it can demonstrate to the Authority that it has made substantial progress toward commencement of operations by the end of those relevant periods.

All of the Licences were issued in December 2015.

Licence	Licence Condition	Comment
Administrative Conditions		
Corporate Structure of Cardinal House		
Lotteries Licence Interactive Home Gaming Licence Bookmaker and Betting Exchange Operator Licence	Cardinal House must not alter or amend its constitution (subject to urgent amendments required by law of applicable stock exchanges), place of incorporation, significant membership (being shareholders greater than 10% of Cardinal House's shares) or change its key personnel such as directors, company secretaries, CEO, CFO and other executive officers without first obtaining the written approval of the Authority.	This condition does not require further immediate action by Cardinal House.
Suitability of Cardinal House and its close associates (such as the Company)		
Lotteries Licence Interactive Home Gaming Licence Bookmaker and Betting Exchange Operator Licence	Cardinal House and its close associates (such as the Company, after Completion) are subject to suitability (probity) requirements in relation to the Licences. Government authorities such as the Authority may object to corporate matters such as the shareholders, directors and other officers of the Company, Cardinal House and Cardinal House's other close associates. Such objections have the potential to prevent Cardinal House pursuing its proposed business. There are obligations for Cardinal House to notify governmental authorities such as the Authority of changes to these matters from time to time. Please refer to the risk factors in Section 1.10 for further information.	The Company and Cardinal House are working with the Authority to progress the suitability requirements as a normal part of the process for commencing business under the Licences.
Indemnity and Release		
Lotteries Licence Interactive Home Gaming Licence Bookmaker and Betting Exchange Operator Licence	Cardinal House indemnifies and continues to indemnify the government entities, including the Authority against various loss, damage and other matters and releases them from certain claims, actions, demands and proceedings.	This condition does not require further immediate action by Cardinal House.
Mortgage, Charge or Encumbering of Licences		
Lotteries Licence Interactive Home Gaming Licence Bookmaker and Betting Exchange Operator Licence	Cardinal House must not mortgage, charge or encumber the Licences or any business assets associated with Cardinal House's licensed operations without first obtaining the written approval of the Authority. Cardinal House must not enter into any loan agreement or a capital raising venture, without first obtaining the written approval of the Authority. Cardinal House must not issue, allot, re-allot or otherwise dispose of shares or securities conferring rights of conversion to shares in the capital of Cardinal House or otherwise alter its capital structure or its corporate structure, without first obtaining the written approval of the Authority.	This condition doesn't require further immediate action by Cardinal House.
Financial Conditions		
Bank Accounts		
Lotteries Licence Interactive Home Gaming Licence	Cardinal House must first obtain approval in writing from the Authority of all banking arrangements relating to the licensed operations.	Cardinal House is in the process of negotiating with European banking institutions and payment processing companies, which are currently operational within the

Licence	Licence Condition	Comment
Bookmaker and Betting Exchange Operator Licence		gaming industry. Cardinal House proposes to seek the relevant approval from the Authority.
Financial Ratios		
Lotteries Licence Interactive Home Gaming Licence Bookmaker and Betting Exchange Operator Licence	Cardinal House must maintain certain financial ratios, including a debt ratio not greater than 0.45 to 1 (45%), an equity ratio of not less than 0.55 to 1 (55%), a gaming ratio of not less than 1 to 1 (100%) and a quick ratio of not less than 1.25 to 1 (125%). The gaming ratio is calculated as follows: GR = GA / PA Where: GR means gaming ratio GA means Gaming Assets held as liquid assets to meet player account liabilities PA means player account liabilities. The Authority may change the ratios	The Company and Cardinal House are working together to achieve compliance with the financial ratio requirements.
Cash Reserve		
Lotteries Licence Interactive Home Gaming Licence Bookmaker and Betting Exchange Operator Licence	Cardinal House must maintain a cash reserve for the payment of duty, levies and other charges to the Authority or other government authorities of an amount approved by the Authority from time to time.	The Company and Cardinal House are working together to achieve compliance with the cash reserve requirement.
Duty		
Lotteries Licence Interactive Home Gaming Licence	In each year of the term of the Lotteries Licence and Interactive Home Gaming Licence, Cardinal House shall pay duty to the Authority each month. Cardinal House will, in respect of each month, calculate the monthly gross gaming revenue derived from sales of entries into games conducted under this licence. For each month, the duty payable will be 1% of that amount. Penalties apply in the event of unpaid duty.	Cardinal House proposes to comply with this condition.
Bookmaker and Betting Exchange Operator Licence	Cardinal House shall pay duty to the Authority each month in respect of betting conducted under the Bookmaker and Betting Exchange Operator Licence in the following manner: A duty rate of 0.25% of turnover. Capped at $300,000.00 in each financial year. The duty is payable monthly. Duty falls due and payable by Cardinal House to the Authority on or before the seventh day of the month next following the month in respect of which it is payable. Penalties apply in the event of unpaid duty.	Cardinal House proposes to comply with this condition.
Assignment of Licences		
Lotteries Licence Interactive Home	Cardinal House must not assign the Licences without first obtaining the written approval of the Authority.	This condition does not require further immediate action by Cardinal House.

Licence	Licence Condition	Comment
Gaming Licence Bookmaker and Betting Exchange Operator Licence	Cardinal House must not enter into an arrangement, agreement or understanding that assigns any substantive responsibilities and activities of the licensed operation to another person without first obtaining the written approval of the Authority.	
Operational Conditions		
Systems, Procedures and Game Packages		
Lotteries Licence Interactive Home Gaming Licence	Prior to implementation Cardinal House must obtain Authority approval of all systems, procedures and Game Packages.	Cardinal House has engaged Bet Fun and Gameworkz to assist with procedure, system integration, software development and system management. Cardinal House's set up process and procedure is inclusive of previously regulated systems and highly regulated game packages.
Lotteries Licence Interactive Home Gaming Licence	Cardinal House must maintain the reliability and integrity of all systems, procedures and approved lottery and Game Packages, links, gaming equipment and security systems according to maintenance schedules approved by the Authority.	Gameworkz is proposed to assist with procedure, system integration, software development and system management. Cardinal House proposes to engage recognised banking and specialist security groups to maintain the ongoing reliability of Cardinal House's systems and schedules.
Lotteries Licence Interactive Home Gaming Licence	Cardinal House shall make available to the public, in a clear and legible manner: a) copies of the game rules; b) directions of play for each approved lottery and game package; c) approved pay out schedules and the statistical rate of return on each game; d) player information privacy provisions; e) age requirements to participate; f) self-exclusion procedures; g) procedures for lodging complaints; h) procedures/contact details for the seeking of counselling relating to problem or compulsive gaming; and i) procedures as to how an alert or trigger mechanism indicates an exceptional change to a betting pattern and how that change is queried with the player before accepting any further gaming activity.	Cardinal House proposes to comply with all requirements noted within this item.
Further Cardinal House responsibilities to players		
Lotteries Licence Interactive Home Gaming Licence	Cardinal House shall maintain gaming systems that provide for customer registration and customer identification processes in a form approved by the Authority. Cardinal House shall obtain prior approval from the Authority for all arrangements relating to the payment or transfer of money by customers into player accounts for gaming purposes. Cardinal House must not grant credit to customers for the purpose of gaming without the prior approval of the Authority and must obtain approval	Cardinal House proposes to comply with all requirements noted within this item.

Licence	Licence Condition	Comment
	from the Authority of its operating systems that relate to the method of dealing with the prohibition on credit play. Cardinal House shall obtain prior approval from the Authority for privacy protection measures and procedures relating to a customer's personal and financial details and must make provisions for compliance with such measures and procedures. Cardinal House shall obtain prior approval from the Authority for procedures for handling complaint references and must make provisions for compliance with such procedures. Cardinal House shall obtain prior approval from the Authority for procedures for resolution of disputes and must make provisions for compliance with such procedures. Cardinal House must give clear details of the addresses of the Authority, including e-mail, postal, telephone and facsimile, on its internet site to enable customers to forward any message or complaint. Cardinal House must a) have procedures and systems that ensure that all funds received from and payable to a player in relation to gaming activity are processed; b) release the balance of funds in a player account to the player within three days or later, as may be agreed by the Authority, if the relevant Licence is cancelled, surrendered or terminated; c) pay to the Authority the balance of unclaimed prizes in the possession of Cardinal House within three days or later, as may be agreed by the Authority, if the relevant Licence is cancelled, surrendered or terminated, provided that the Authority will then be responsible for satisfying any claims from players or other third parties in respect of entitlements to those unclaimed prizes; and d) forfeit to the Authority all funds from player accounts established, to the knowledge of Cardinal House, using false identity and provide details of the account, subject to the Authority being responsible on such forfeiture for satisfying any claims to such funds from players or other third parties.	
Further Cardinal House responsibilities to customers		
Bookmaker and Betting Exchange Operator Licence	Cardinal House shall maintain bookmaking systems that provide for customer registration and customer identification processes in a form approved by the Authority. Cardinal House shall obtain prior approval from the Authority for all arrangements relating to the payment or transfer of money by customers into player accounts for betting/wagering purposes. Cardinal House must not grant credit to customers for the purpose of betting without the prior approval of the Authority and must obtain approval from the Authority of its operating systems that relate to the	Cardinal House proposes to comply with all requirements noted within this item.

Licence	Licence Condition	Comment
	method of dealing with the prohibition on credit play. Cardinal House shall obtain prior approval from the Authority for privacy protection measures and procedures relating to a customer's personal and financial details and must make provisions for compliance with such measures and procedures. Cardinal House shall obtain prior approval from the Authority for procedures for handling complaint references and must make provisions for compliance with such procedures. Cardinal House shall obtain prior approval from the Authority for procedures for resolution of disputes and must make provisions for compliance with such procedures. Cardinal House must give clear details of the addresses of the Authority, including e-mail, postal, telephone and facsimile, at its Norfolk Island site and on any Internet site it operates to enable customers to forward any message or complaint.	
Lotteries Licence Interactive Home Gaming Licence	Cardinal House must produce and have approved by the Authority, prior to commencement of operations, its Internal Control Systems in written form and must meet the obligations/requirements of the Authority, (including audit and reporting requirements and data requirements) or otherwise comply with prescribed arrangements.	Cardinal House is working with the Authority to comply with this condition.
Lotteries Licence Interactive Home Gaming Licence Bookmaker and Betting Exchange Operator Licence	Cardinal House shall ensure that operating systems meet the Authority's requirements and standards for technical functionality, to the satisfaction of the Authority or comply with technical arrangements otherwise approved by the Authority.	Cardinal House is working with the Authority to comply with this condition.
Lotteries Licence Interactive Home Gaming Licence Bookmaker and Betting Exchange Operator Licence	Before commencing to operate under the relevant Licence, Cardinal House must develop and obtain approval from the Authority of an Advertising Code of Conduct and any related control system and/or procedure.	Cardinal House is working with the Authority to comply with this condition.
Bookmaking Service and Betting Exchange		
Bookmaker and Betting Exchange Operator Licence	Cardinal House must conduct its Bookmaking Service and related operations in accordance with the terms and conditions of the Licence to act as a Bookmaker and in accordance with the rules and operating procedures adopted by Cardinal House and approved by the Authority.	Cardinal House has no present business model for the activities covered by the Bookmaker and Betting Exchange Operator Licence. In the event Cardinal House formulates a business model after Completion, it is proposed to comply with this condition.
Bookmaker and Betting Exchange Operator Licence	Cardinal House must submit to the Authority, for examination and approval, a written description of the proposed Bookmaking Service, including a written description of all related operating systems including, where commingling of bets occurs, sufficient detail to properly identify commingling partners.	Cardinal House has no present business model for the activities covered by the Bookmaker and Betting Exchange Operator Licence. In the event Cardinal House formulates a business model after Completion, it is proposed to comply with this condition.
Bookmaker and	Cardinal House shall submit for approval a copy of	Cardinal House has no present

Licence	Licence Condition	Comment
Betting Exchange Operator Licence	its Internal Control System which shall include a description of: a) its operating procedures; b) privacy protection measures to operate in relation to customers; c) the procedures to address age restrictions; d) the procedures to set bet limits required by customers; e) the procedures to provide for self-exclusion; f) the procedures for lodging complaints; and g) the procedures/contact details for the seeking of counselling relating to problem or compulsive gaming or gambling.	business model for the activities covered by the Bookmaker and Betting Exchange Operator Licence. In the event Cardinal House formulates a business model after Completion, it is proposed to comply with this condition.
Bookmaker and Betting Exchange Operator Licence	Cardinal House shall, prior to commencing to operate its Bookmaking Service obtain approval from the Authority of a configuration in diagrammatic and written form indicating where every separate operation/activity pertaining to the conduct of such betting under the Licence is to be conducted, whether on Norfolk Island or elsewhere.	Cardinal House has no present business model for the activities covered by the Bookmaker and Betting Exchange Operator Licence. In the event Cardinal House formulates a business model after Completion, it is proposed to comply with this condition.

(b) **Gaming Software Platform**

Cardinal House has entered into an agreement with Bet Fun for access to an exclusive gaming software platform (**Platform**). The Platform delivers to Cardinal House software technologies to operate its proposed fully licensed Bingo, and proposed interactive gaming solutions. The Platform technology is multi-device compatible, suitable to use on devices such as (but not limited to) mobile/hand held devices, specialist set top boxes, computers and gaming consoles.

(c) **Gaming Management System**

Cardinal House has executed a managed gaming services agreement (**Service Agreement**) with Canadian registered Gameworkz. The Service Agreement gives Cardinal House access to a fully integrated, interactive gaming management system, which includes bingo, licensed interactive gaming and specifically Gameworkz-originated content and technologies, accessible from multi-level devices such as mobile/hand held devices, set top boxes, computers and gaming consoles (**Gaming Management System**).

The Gaming Management System will be customised to comply with the requirements imposed on the Licensee.

1.8 **Advantages of the Transaction**

The Board considers that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Resolutions:

(a) The Transaction provides an opportunity for the Company to engage in a different industry sector encompassing Cardinal House's proposed interactive gaming and gambling business, as summarised in this Explanatory Statement.

(b) The Transaction and associated Capital Raising provide the potential for the Company to increase the scale of its activities and market capitalisation which may in turn increase the size of the investor pool that may invest in the Company's Shares.

(c) In the current market there is a greater likelihood of increasing shareholder value by entering the gaming and gambling industry rather than remaining a junior mineral explorer.

(d) The Transaction introduces competent members to the executive team with knowledge and experience in the gaming and gambling industry.

1.9 Disadvantages of the Transaction

The Board considers that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Resolutions:

(a) The Company's proposed change in the nature and scale of its activities to become an interactive gaming and gambling business may be contrary to specific Shareholders' objectives and preferred risk profile.

(b) In order to operate a licensed gaming and gambling business, Cardinal House will need to comply with a series of very strict legal requirements. This may not suit all investors.

(c) If the Transaction proceeds to Completion, future outlays of funds are anticipated to be required to fund Cardinal House's business.

(d) The Resolutions propose further issues of Shares and Options to certain parties, which will have a dilutionary effect on the holdings of Shareholders.

(e) Following the issue of consideration Shares to the Vendors under the Agreement, and Shares on conversion of the converting loans under the Resolutions, the Vendors' collective voting power in the Company will represent a significant interest (up to a maximum of 50.35% if certain Options are also exercised as described in Section 3).

(f) There are numerous inherent risks associated with the change in nature of the Company's activities. Some of these risks are summarised in Section 1.10 below.

1.10 Risk factors

If the Capital Raising and Completion occur, the Company will be changing the nature and scale of its activities. The risks and uncertainties described below are not intended to be exhaustive. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers to be immaterial, which may affect the Company. Based on the information available, a non-exhaustive list of risk factors for the Company associated with the Company's proposal to acquire all of Cardinal House's shares is as follows.

Company Specific Risks

(a) **Reinstatement to ASX's official list**

It is anticipated that the Company's Shares will be suspended or placed in a trading halt prior to market open on the date of the Meeting. If the Resolutions are approved at the Meeting, it is anticipated that the Company's securities will remain suspended until Completion of the Agreement and Capital Raising re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its Shares may consequently remain suspended from quotation.

(b) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company and Cardinal House depends substantially on senior executives and key management personnel. There can be no assurance that there will be no detrimental impact on the Company and Cardinal House if one or more of these personnel cease to work with the Company or if one or more of the proposed Directors leaves the Board.

In addition the Licences may be detrimentally affected or forfeited if key Directors or management cease to work for the Company or Cardinal House or if they, Cardinal House, the Company or their respective shareholders do not satisfy or continue to meet the probity and other requirements of government and regulatory bodies.

(c) **Reliance on third parties**

Cardinal House and the Company will be reliant on a number of third parties for the operation of their proposed businesses. The areas in which they have or are anticipated to have significant reliance on third parties include:

(i) Bet Fun, provider of the Platform; and

(ii) Gameworkz, provider of the Gaming Management System.

Failure of, or significant interruption to, third party products and services upon which Cardinal House and the Company rely may have a material adverse impact on their financial performance and/or the Share price.

(d) **Regulatory environment**

Following completion of the Transaction, the Company's operations will be subject to applicable laws and regulations in the jurisdictions in which it operates. Users, competitors, members of the general public or regulators could allege breaches of legislation in the relevant jurisdictions (for example, if an advertisement was considered to be misleading or deceptive). This could result in remedial action or litigation.

The Company's operations may become subject to stricter regulatory requirements, due to specific licensing and reporting obligations within the gaming industry. Any increase in the Company's regulatory and compliance costs may impact on the Company's profitability.

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law or laws applicable in Australia, Norfolk Island or elsewhere, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's or Cardinal House's proposed operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of Cardinal House and the Company and the Share price. In addition there is a commercial risk that legal action may be taken against the Company and Cardinal House in relation to commercial matters.

(e) **Licences and permits**

The operation of interactive gaming and gambling businesses in Australia, and in jurisdictions that the Company is proposing to operate in, is governed by strict regulations and licences and permits.

Cardinal House and the Company will need to comply with all relevant regulations and the terms of any licence or permit it holds. Any non-compliance could lead to a range of disciplinary actions, including a reprimand, fines, amended terms, suspension or cancellation of a licence or permit.

As at the date of this Notice, Cardinal House has been granted three conditional Licences, as explained in Section 1.7(a). Cardinal House has not complied with all the conditions which must be satisfied before it can use the Licences and conduct its business. There is a risk that Cardinal House and the Company may be unable to satisfy those conditions.

The scope of the Licences may allow Cardinal House to accept players from throughout the world, although doing so will be subject to compliance with local laws, which is not anticipated to be possible in many jurisdictions.

In the event that a licence or permit was cancelled by Norfolk Island Gaming Authority or a relevant State or Territory government in Australia (or overseas), the Company would not be permitted to operate the relevant business. No licences or permits have been granted to Cardinal House to date, apart from the Licences.

Under the conditions of the Licences, the Norfolk Island Gaming Authority has the right to reach the view that a particular member or officeholder (including, with some exceptions, a shareholder, officeholder or other employee of the Company) is not suitable to occupy their position as a member or officeholder (**Position**) and demand that this person is removed from their Position. A breach of the Licence conditions could result in the Licence being suspended or cancelled, thus impacting the ability to operate the business.

Any non-compliance by Cardinal House or the Company with the relevant regulations or terms of any applicable gaming and gambling licences or permits may have a material adverse impact on the financial performance of Cardinal House and the Company and/or the Share price.

(f) **Potential law reforms in Norfolk Island**

As described above, the initial jurisdiction in which Cardinal House has applied for interactive gaming and gambling licences is Norfolk Island.

From 1 July 2016, the Australian Government will integrate Norfolk Island with the mainland tax and social security systems, including access to Medicare and the Pharmaceutical Benefits Scheme.

Law modelled on New South Wales law will be progressively applied to Norfolk Island from 1 July 2016. Norfolk Island laws will remain in place until they are specifically replaced by a New South Wales law. There will be scope to adjust laws to reflect local circumstances and the community will be consulted throughout this process.

The Directors and Proposed Directors are not aware of whether and when Norfolk Island gaming and gambling laws may change. In the event they do change, there is a risk that any gaming and gambling licences or permits may be detrimentally affected or lost, with consequential negative effects on Cardinal House's and the Company's proposed business.

The loss (or expiry without a similar replacement licence) of any Norfolk Island gaming and gambling licence which Cardinal House holds may have a material adverse impact on the financial performance of the Company, Cardinal House and/or the Share price. The issue of any new gaming and gambling licences on terms substantially less favourable to Cardinal House or the Company or on terms requiring the payment of a significant licence premium or fee may also have a material adverse impact on the financial performance of Cardinal House and the Company and/or the Share price.

(g) **Contractual risks**

Cardinal House's proposed business has a significant dependence on certain third parties, and their abilities to meet their contractual obligations pursuant to agreements entered into by Cardinal House.

The ability of the Company and Cardinal House to successfully commercialise the proposed business will depend upon the performance of the counterparties to each agreement.

The Company has no current reason to believe that any of the parties which it or Cardinal House has contracted with will not meet and satisfy their obligations under their respective agreements.

(h) **Early stage development and marketing risk**

Cardinal House is at a pre-revenue stage, although it has recently been granted Licences and negotiated access to the Platform and Gaming Management System.

There can be no guarantee that the Company or Cardinal House will be able to commercialise the proposed interactive gaming and gambling business. Further, they may fail to adequately promote and market the business.

Cardinal House does not yet have any customers and no forecast is made of whether any customers will use the proposed interactive gaming and gambling products or whether it will generate any revenues. If Completion occurs, there is a risk that the Company and Cardinal House's financial performance and financial position will be adversely affected by a failure to commercialise the proposed gaming and gambling business. Even if customers are attracted to the proposed gaming and gambling products, there is no guarantee that they will continue to use them.

(i) **Reputation**

The Company considers that a reputation for trust and integrity is important in generating and maintaining customer goodwill and regulatory confidence for gaming and gambling operations. Given the proposed interactive gaming and gambling business has not yet commenced, the Directors and Proposed Directors consider that the proposed business does not yet have a history in Australia.

A range of events, including a material non-compliance with regulations or licence terms, could have a material adverse impact on the Company's and Cardinal House's reputation and the value of relevant brands. Significant disciplinary actions or the loss of a licence or permit in one jurisdiction could affect the Company's and Cardinal House's reputation and adversely affect its current Licences or future licence opportunities in other jurisdictions.

Any event that was materially adverse to the Company's or Cardinal House's reputation may have a material adverse impact on the financial performance of the Company, Cardinal House and/or the Share price.

(j) **Systems**

In order to run interactive gaming and gambling businesses, Cardinal House and the Company will need to operate a range of information technology systems, including hardware and software, for existing and new infrastructure. They are exposed to the risk of failure of, hacking of or significant interruption to, information technology systems or infrastructure which may have a material adverse impact on the financial performance of Cardinal House and the Company and/or the Share price.

A malicious attack on Cardinal House and the Company's Systems, processes or people from external or internal sources may put the integrity and privacy of customers' data at risk. The loss or leakage of customer data exposes the Cardinal House and the Company to potential service disruption, litigation, and reputational damage which may have a material adverse impact on the financial performance of Cardinal House and the Company and/or the Share price. Cardinal House will adopt practices in relation to security policies, procedures, encryption systems and staff screening intended to minimise this risk.

(k) **Intellectual property**

There is a risk that parties might knowingly or unknowingly infringe Cardinal House's intellectual property rights. There is also a risk that the Company or Cardinal House infringes the rights of third parties. Any such action as described in the foregoing may adversely affect the financial performance of the Company, Cardinal House and/or the Share price. Cardinal House and the Company will rely on protecting intellectual property and trade secrets and the protective measures employed may not always be sufficient. Any failure in any measures implemented to protect intellectual property or trade secrets may result in an erosion of any competitive position potentially accessible to the Company and Cardinal House.

Industry Specific Risks

(a) **Forecasts**

It is not possible to accurately predict the future revenues or profitability of the Company as Cardinal House is not yet operational. The success of the proposed business will depend on a number of factors that are outside the control of the Company. The Directors and Proposed Directors do not make any forecast or representation in relation to the Company's future financial position or performance.

(b) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account by the Company and Cardinal House. Although the Directors and Proposed Directors are not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect their expenditure proposals and financial performance.

(c) **Competition**

Cardinal House's proposed gaming and gambling businesses are subject to existing competition and new entrants. There is significant competition in the interactive gaming and gambling business generally. There is no assurance that the Company's proposed products will be effective or economic.

Expenditure on gaming and gambling also competes with other forms of consumer discretionary spending.

There can be no guarantees that the competitive environment in which Cardinal House proposes to operate will remain the same. New entrants, a material adverse change to the competitive environment or new initiatives implemented by competitors or governments may have a material adverse impact on the financial performance of the Company, Cardinal House and/or the Share price.

(d) **Gaming and gambling regulation**

The regulation of gambling activities in Australia is primarily the responsibility of State and Territory governments. The Federal Government also has jurisdiction over areas of regulation which may affect the gambling industry.

Norfolk Island legislation is currently applicable to the regulation of the Licences which Cardinal House has been granted (as described above).

Regulation at all levels of government is subject to change and the Company and Cardinal House have no control over the regulations that apply to their current or proposed activities. Refer to Company Specific Risks above for further information regarding potential Norfolk Island law reforms. Pending and/or future reforms to regulations applying either directly or indirectly to their proposed gaming and gambling businesses may have a material adverse impact on the financial performance of the Company, Cardinal House and/or the Share price.

(e) **Community sentiment**

There are specific issues relating to online delivery of gaming and gambling products, in addition to the influence that community sentiment towards the wider gambling industry has. Any material adverse change in community sentiment towards the gambling industry, and/or the online gaming and gambling in particular, may have a material adverse impact on the financial performance of Cardinal House and the Company and/or the Share price.

(f) **Risk of international operations and legality**

Operating internationally subjects the Company to a number of risks, including:

(i) legal uncertainty surrounding Cardinal House's proposed gaming and gambling products;

(ii) potential difficulties in enforcing terms of use with players and collecting payments from foreign jurisdictions;

(iii) political risk, particularly any changes to regulation or policy in any jurisdiction in which the Company may operate; and

(iv) potential difficulties in protecting intellectual property.

Any of these factors may have a material adverse impact on the financial performance of the Company, Cardinal House and/or the Share price.

(g) **Compliance with licence conditions and licence indemnities**

Cardinal House has granted indemnities to the Norfolk Island Gaming Authority under the condition of the Licences. It is not possible to quantify the potential exposure (if any) to Cardinal House and the Company as a consequence of these indemnities.

(h) **Taxes and levies**

Taxes and levies relating to the gaming and gambling industry in Australia are currently determined by relevant State and Territory governments (including Norfolk Island). In addition, the rate of GST and corporate taxation is determined by the Federal Government. A material increase in the taxes and levies payable by the Company or Cardinal House in respect of the proposed businesses may have a material adverse impact on the financial performance of the Company, Cardinal House and/or the Share price.

General Risks

(a) **Economic conditions**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's and Cardinal House's proposed business as well as on their ability to fund their operations.

(b) **Additional requirements for capital**

Additional funding beyond the Capital Raising may be required in the event costs exceed the Company's and Cardinal House's estimates and to effectively implement their business and operations plans in the future to take advantage of opportunities for acquisitions, joint ventures or other business opportunities. If such events occur, additional financing will be required. Further funds may also be needed to meet any unanticipated liabilities or expenses which they may incur.

The Company may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's and Cardinal House's activities and future projects may result in delay and indefinite postponement of their activities. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company or Cardinal House and might involve substantial dilution to Shareholders.

Further, the Company and Cardinal House may, in the ordinary course of their operations, be required to issue financial assurances, particularly insurances and bond/bank guarantee instruments to secure statutory undertakings and commercial arrangements. The Company's and Cardinal House's ability to provide such assurances is subject to external financial and credit market assessments, and their own financial positions.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issue and finance leases (and any related guarantee and security) that may be entered into by the Company or Cardinal House may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans or take other actions and there is no assurance that the Company or Cardinal House would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or Cardinal House or default under a finance lease could also result in the loss of assets.

The Company and Cardinal House are exposed to risks associated with their financial instruments (consisting of cash, receivables, accounts payable and accrued liabilities due to third parties from time to time). This includes the risk that a third party to a financial instrument fails to meet its contractual obligations the risk that the Company or Cardinal House will not be able to meet its financial obligations as they fall due and the risk that market prices may vary which will affect the Company's and Cardinal House's financial performance.

(c) **Force Majeure**

The Company's and Cardinal House's activities, now or in the future, may be adversely affected by risks outside the control of the Company and Cardinal House. Such risks include (without limitation) labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(d) **Insurance risks**

The Company intends to insure its operations and those of Cardinal House in accordance with industry practice. However, in certain circumstances, such insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company and Cardinal House.

(e) **Litigation risks**

The Company and Cardinal House are exposed to possible litigation risks including, but not limited to, legal non-compliance claims, contractual breach claims, consumer protection claims, intellectual property claims, occupational health and safety claims and employee claims. Further, the Company or Cardinal House may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's and Cardinal House's operations and financial performance and the Share price. The Company and Cardinal House are not currently engaged in any litigation.

(f) **Market conditions**

Share market conditions may affect the value of the Company's quoted Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as (without limitation):

(i) general economic outlook;

(ii) introduction of tax reform or other new legislation;

(iii) interest rates and inflation rates;

(iv) changes in investor sentiment toward particular market sectors;

(v) the demand for, and supply of, capital; and

(vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and interactive gaming and gambling stocks in particular. Neither the Company nor the Directors and Proposed Directors warrant the future performance of the Company in this Notice or otherwise.

(g) **Market acceptance**

The global marketplace for most products and services is ever changing due to new technologies, new products and services, changes in preferences, changes in regulation and other factors influencing market acceptance or market rejection. This market volatility and risk exists despite the best endeavours of market research, promotion and sales and licensing campaigns.

(h) **Foreign exchange rate risk**

No forecast is made of whether the Company or Cardinal House will generate any revenue or profits in future. If any revenue is generated it may be in Australian dollars (or potentially other currencies) and the Company's operating expenses will be incurred principally in Australian dollars. However, pursuant to certain agreements Cardinal House has entered into, the Company's fees payable to certain providers are denominated in United States Dollars (USD). Movements in the USD/AUD exchange rate may adversely or beneficially affect the Company's and Cardinal House's results or operations and cash flows.

1.11 Proposed changes to the Company's Board of Directors

The Company's Board of Directors at the date of this Notice comprises:

(a) Tony Sage (Non-Executive Chairman);

(b) Mark Gwynne (Managing Director); and

(c) Paul Kelly (Non-Executive Director).

Upon Completion, it is proposed for:

(d) Graham Martin (one of the Vendors) to become the Non-Executive Chairman of the Company;

(e) Paul Carroll (one of the Vendors) to become Managing Director of the Company;

(f) Tony Sage to step down as Non-Executive Chairman and become a Non-Executive Director;

(g) Mark Gwynne to step down as Managing Director and become a Non-Executive Director; and

(h) Paul Kelly to resign from the Board.

Please refer to Section 2 below for additional information on Graham Martin and Paul Carroll.

1.12 Plans for the Company if the Resolutions are not passed

Dempsey Resources Pty Ltd and Cauldron Energy Limited, which together own 68.6% of the Company's shares, have indicated their intention to vote in favour of the Resolutions in the absence of a superior proposal. The Takeovers Panel's policy requires those companies to follow through on this public statement and, on this basis, the Company expects that the Resolutions will be passed.

If the Resolutions are not passed, the Transaction will not proceed. In current market conditions, the Company expects it would be challenging to undertake the future capital raising required for the Company to continue its mining exploration business. On this basis, the Company expects that seeking an alternative transaction to acquire a new business would offer the best return for Shareholders. However, the Company has been required to engage a number of advisers, lawyers and experts to facilitate the Transaction and a significant portion of its existing cash will be expended in meeting these liabilities. The Company's ability to pursue an alternative transaction would therefore be subject to raising further capital.

1.13 Pro forma balance sheet

Description	Note	Half-Year Ended 31 December 2015 Consolidated Group Reviewed	Capital Raising Amount $2.0 million Pro Forma 31 December 2015 Consolidated Group	 $2.2 million Pro Forma 31 December 2015 Consolidated Group
			Assuming $199,699 Cardinal Liabilities at Completion	
Cash & cash equivalents	A	386,744	1,568,326	1,755,326
Trade & other receivables		60,791	14,331	14,311
Total Current Assets		**447,535**	**1,582,657**	**1,769,657**
Exploration and evaluation expenditure		-	-	-
Property, plant & equipment		5,188	4,425	4,425
Available-for-sale financial assets		1,250	1,250	1,250
Investment in subsidiary		-	-	-
Goodwill		-	-	-
Total Non-Current Assets		**6,438**	**5,675**	**5,675**
Total Assets		**453,973**	**1,588,332**	**1,775,332**
Trade & other payables		199,596	-	-
Total Current Liabilities		**199,596**	**-**	**-**
-		-	-	-
Total Non-Current Liabilities		**-**	**-**	**-**
Total Liabilities		**199,596**	**-**	**-**
Net Assets		**254,377**	**1,588,332**	**1,775,332**
Issued capital	B	36,251,604	8,711,909	8,898,909
Unissued capital reserve	C	431,460	-	-
Reserves	D, E	1,724,125	1,552,938	1,552,938
Retained Earnings		(38,152,812)	(8,676,515)	(8,676,515)
Total Equity		**254,377**	**1,588,332**	**1,775,332**

Actual and proposed transactions to arrive at Pro Forma Consolidated Statement of Financial Position:

The Consolidated Group position is based on the existing structure and includes the reviewed financial accounts for the existing consolidated group as at 31 December 2015. The Consolidated Pro Forma accounts as at 31 December 2015 are based on the reviewed financial accounts for the Consolidated Group as at 31 December 2015, the audited financial accounts of Cardinal House for the period from incorporation to 31 December 2015, taking into account the actual and proposed transactions up to the potential date of re-listing (assumed 31 May 2016 although that's subject to change and may not occur), including:

A) Completion of the Transaction, resulting in Cardinal House becoming a subsidiary of the Company.

Proceeds from the proposed Capital Raising of $2.0 million (up to $2.2 million), payment of costs associated with the Transaction and Capital Raising, payment of general working capital costs between 1 January 2016 and Completion, provision for and payment of up to the estimated $199,699 of Cardinal House liabilities at Completion.

B) Issue of up to 300,000,000 consideration Shares under the Agreement at a deemed issue price of 2 cents each (non-cash consideration), issue of at least 74,074,074 shares (up to 81,481,481 shares) in relation to the Capital Raising of $2.0 million (up to $2.2 million), at an issue price of 2.7 cents per Share.

C) Issue of 35,954,999 Shares relating to the converting loans (under Resolution 12) at 1.2 cents per Share (these funds were received and classified as equity (unissued capital reserve) at 31 December 2015).

D) Issue of up to 55,000,000 unlisted Options at an exercise price of 3.2 cents each (18.52% premium to the Capital Raising issue price) under Resolutions 7, 8, 9, 10 and 11.

E) Issue of up to 5,000,000 unlisted options to director at an exercise price of 3.8 cents each (40.74% premium to the Capital Raising issue price) under Resolution 7.

1.14 Indicative use of funds raised under the Capital Raising

Following completion, the Company intends to apply the funds as follows:

(a) Funds available

Funds Available	Capital Raising Amount $2.0 million		Capital Raising Amount $2.2 million	
	Amount $	Percentage of Funds	Amount $	Percentage of Funds
Existing Company cash reserves[1]	96,525	4.6%	96,525	4.2%
Funds to be raised from the Capital Raising	2,000,000	95.4%	2,200,000	95.8%
Total	**2,096,525**	**100%**	**2,296,525**	**100%**

[1] Estimated cash as at date of reinstatement to ASX (before costs associated with the Transaction).

(b) Indicative allocation of funds

Indicative allocation of Funds	Capital Raising Amount	
	$2.0 million	$2.2 million
	Assuming $199,699 Cardinal Liabilities at Completion	
	Expenditure $	Expenditure $
Expenses of the Capital Raising and associated matters[1]	528,199	541,199
Expenditure on tenements and tenement management fees[2]	148,190	165,859
Costs associated with Cardinal House's proposed product range and operations (including research and development on software and products)	997,165	1,116,063
Corporate administration costs[3]	422,971	473,404
Total	**2,096,525**	**2,296,525**

[1] Refer to the table 1.14(c) for estimated itemised costs of the expenses of the Capital Raising and Transaction.
[2] Tenement management fees and minimum statutory expenditure commitments on existing exploration assets.
[3] Includes director fees, compliance costs, consultant fees, and general corporate overheads.
[4] The board of directors reserves the discretion to modify the proposed allocation of funds in the table above.

(c) Expenses of the Capital Raising and associated matters

Expenses of the Capital Raising and associated matters[1]	Capital Raising Amount	
	$2.0 million	$2.2 million
	Assuming $199,699 Cardinal Liabilities at Completion	
	Amount $	Amount $
ASX fees	51,000	52,000
ASIC fees	2,500	2,500
Legal and due diligence expenses	115,000	115,000
Independent Accountant's Report	9,000	9,000
Broker fees	120,000	132,000
Shareholder Meeting / Share Registry costs	11,000	11,000
Independent Expert's Report	5,000	5,000
Miscellaneous	15,000	15,000
Settlement of outstanding Cardinal House liabilities at Completion	199,699	199,699
Total	**528,199**	**541,199**

[1] Excludes $26,000 transaction costs already paid in respect of Independent Accountant's Report ($9,000) and Independent Expert's Report ($17,000).

The above tables provide a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The board of directors reserve the right to alter the way funds are applied on this basis.

1.15 Pro forma capital structure

Outlined below is the current capital structure of the Company and the capital structure showing the effect of the issue of the Options under the Resolutions and the issue of the Shares proposed at:

- Paragraph (a) of Resolution 4 – Shares to the Vendors;
- Resolution 5 - Shares pursuant to Capital Raising; and
- Resolution 12 - Shares pursuant to Converting Loan Agreements.

	Ordinary Shares – Assuming $2 million Offer at 2.7 cents per Share	Ordinary Shares – Assuming $2.2 million Offer at 2.7 cents per Share	Options
Current issued capital	219,714,630[6]	219,714,630[6]	3,850,000[1]
Debt conversion	35,954,999[2,5]	35,954,999[2,5]	-
Maximum number of securities to be issued under the Transaction	300,000,000[3]	300,000,000[3]	-
Capital Raising	74,074,074	81,481,481	-
New Options	-	-	60,000,000[4]
Maximum total securities upon completion of the back door listing (assuming no options are exercised)	**629,743,703**	**637,151,110**	**63,850,000**

[1] Unlisted employee and consultant Options exercisable at 4 cents per Share on or before 30 November 2016 (subject to vesting conditions).
[2] Conversion at 1.2 cents per Share under Converting Loan Agreements totalling $431,460.
[3] Maximum number of Shares to be issued as consideration for 100% acquisition of Cardinal House (subject to reduction for outstanding liabilities of Cardinal House at completion of Transaction). The current estimate of the outstanding liabilities of Cardinal House at completion of the Transaction is $199,699 (rounded), which would reduce the number of consideration Shares to approximately 290,015,035 (subject to rounding). If that occurred, the maximum number of Shares on issue upon completion of the back door listing (assuming no Options are exercised) would be 619,758,738 for a $2 million Capital Raising or 627,166,146 for a $2.2 million Capital Raising.
[4] These are the Options described in Sections 6 and 7.
[5] Includes 8,333,333 Shares on conversion of the converting loan to holder Momentum North. John Halliley (a Vendor) controls and has a beneficial interest in Momentum North the subject of Resolution 4.
[6] Includes 58,704 Shares already held by one of the Vendors, John Halliley, as at the date of this Notice.

The above table assumes:

- No additional Shares (other than those contemplated at paragraph (a) of Resolution 4 and Resolutions 5 and 12) are issued.
- No additional Shares are issued as a result of options currently on issue, or proposed to be issued which may be exercised.

1.16 Escrow of Shares proposed to be issued under the Transaction and other securities

The Company expects that ASX will impose mandatory escrow on the Shares to be issued to the Vendors under Resolution 4 (except to the extent they are treated as seed capitalists attracting cash formula relief, including by virtue of a Listing Rule 9.1.3 waiver) and, to the extent required by the Listing Rules, certain other securities proposed to be issued under the Resolutions (but not the Capital Raising Shares). The ultimate escrow position will be subject to ASX's determination to be made in accordance with the Listing Rules.

1.17 Conditional Resolutions

The Resolutions are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting (except that Resolution 12 will still take effect if approved, even if no other Resolution is approved). If any one of those Resolutions is not approved at the Meeting, none of them will take effect except for Resolution 12 (if that Resolution is approved) and the Agreement and other matters contemplated by Resolutions 1 to 11 and 13 will not be completed pursuant to this Notice.

2. RESOLUTIONS 2 AND 3 – ELECTION OF DIRECTORS – GRAHAM MARTIN AND PAUL CARROLL

2.1 General

Resolutions 2 and 3 are for the election of Graham Martin and Paul Carroll as Directors, subject to and with effect from Completion.

Graham Martin and Paul Carroll are two of the four current shareholders of Cardinal House and are Vendors under the Transaction. It is proposed that they be appointed as Non-Executive Chairman and Managing Director, respectively. As such, they will have a central role in the management of the Company after Completion.

The Board supports the election of these candidates, given the nature of Cardinal House's business and the highly relevant qualifications, skills and experience of Paul Carroll and Graham Martin, as set out in Section 2.2 and 2.3 of this Explanatory Statement.

2.2 Paul Carroll

Paul Carroll has over 22 years of success with B2B and B2C business management, specialising in corporate governance and operational enhancement. Paul Carroll has held senior leadership positions with a number of tier-one organisations operating throughout the world including Europe (specifically the United Kingdom), the Caribbean, various South Atlantic Regions and for the past four years in Australia.

Paul Carroll has successfully guided and influenced sustainable business management procedure and group diversification strategies within these roles. Paul Carroll focuses on customer care and responsible gambling and maintains the highest regard for the health and wellbeing of all patrons and employees alike.

The Board has considered Mr Carroll's independence and considers that if he is appointed and the Transaction is completed he would not be an independent Director.

Mr Carroll is a director of Cardinal House, Cardinal House Pty Ltd and Excalibur Mining Solutions Pty Ltd.

2.3 Graham Martin

Graham Martin is a third generation betting entrepreneur with extensive international gaming experience. Graham Martin founded Bonne Terre Limited, a licensed and regulated sports book in the Channel Islands which company became a wholly owned subsidiary of BskyB Group PLC, operating as Sky Bet. BskyB sold an 80% stake in the business to funds advised by CVC Capital Partners and members of the Sky Bet management team in 2015. This transaction valued Sky Bet at £800 million.

Graham Martin was Chairman of Probability Games Corporation, which was successfully listed on the London AIM in 2006. It was one of the world's market leaders in mobile phone gambling services and technology providers. The Group was eventually bought by GTECH. Graham Martin then founded Scotbet International Limited, a holding company for the betting businesses of Scotbet and Morrisons Bookmakers. This new group comprised the largest Scottish retail betting company. Graham Martin is highly respected in the industry and recognised for his contribution to the establishment of gaming laws within a number of jurisdictions and is considered a pioneer of the online gaming and gambling industry. Graham Martin also advises a number of public and private gaming groups around the world.

Mr Martin was a director of Gaming Ventures Plc which was placed into creditors voluntary liquidation during the global financial crisis in 2008.

The Board has considered Mr Martin's independence and considers that if he is appointed and the Transaction is completed he would not be an independent Director.

Mr Martin is currently a director of Oulala Games Limited, Tv2u Gaming Limited, Catalyst Gaming Corporation Limited, Cardinal House Plc, Cardinal House Holdings PCC Plc, Catch My Bet Limited, Free Bingo Limited, Attwood and Binsted Limited, Prospero Recruitment Limited, Wots Hot Limited, Fairfield Resources Limited, The Green Energy Exchange Limited, Fanmade Services Limited, Netbet Limited, The Russian Winter Festival in London, Pizzabet Limited, Tebten Limited, Hamilton Films, Midnight Media Limited, M-Cash Limited, and Empire Global Corp and he is the managing partner of Geneva General Investments LLP and an advisory board member of Mobile Gaming Technologies Inc and eQube Gaming Limited.

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3. RESOLUTION 4 – ISSUE OF SHARES AS VENDOR CONSIDERATION AND APPROVAL TO ISSUE SHARES CONVERTIBLE FROM VENDOR OPTIONS AND CONVERTING LOAN

3.1 General

Resolution 4 seeks Shareholder approval to allow the Company to:

(a) issue the consideration under the Agreement to the Vendors;

(b) issue Shares to Graham Martin (or his nominee) and Paul Carroll (or his nominee), upon conversion of the Options proposed for issue under Resolution 7 and 8;

(c) issue Shares to Richard Boyd (or his nominee) upon conversion of the amount of up to 2,500,000 Options proposed for issue to him or his nominee under Resolution 11;

(d) issue Shares to Momentum North, a Company controlled by one of the Vendors, John Halliley, (or its nominee) following conversion of Momentum North's converting loan referred to in Resolution 12; and

(e) approve the increase in the combined voting power in the Company of the Vendors and their associates' from 0.027% to up to 50.35% voting power in the Company under Section 611 (Item 7) of the Corporations Act.

3.2 Chapter 2E and Section 611 (Item 7) of the Corporations Act

Takeovers prohibition

The takeovers prohibition provides that a person must not increase their voting power in a listed company from below 20% to more than 20%, or at all from a starting point that is above 20% and below 90%, unless an exception applies.

In this case, it is proposed to rely on the exception for Shareholder approval under s611 (Item 7) of the Corporations Act.

Related party transactions

Chapter 2E of the Corporations Act requires shareholder approval for a public company to give a financial benefit to a related party, unless an exception applies.

Graham Martin and Paul Carroll are both related parties of the Company because the Company has reasonable grounds to believe they will become directors of the Company in future, under the Transaction.

The proposed issues of Shares to Graham Martin (or his nominee) and Paul Carroll (or his nominee) under Resolution 4 require the Company to obtain Shareholder approval under Chapter 2E of the Corporations Act because those issues comprise financial benefits. Accordingly, Shareholder approval is sought for the issue of Shares to Graham Martin (or his nominee) and Paul Carroll (or his nominee) under Chapter 2E of the Corporations Act.

Information required by ASIC

For approvals under s208 and s611 (Item 7) of the Corporations Act, ASIC Regulatory Guides 74 and 76 require Shareholders to be provided with the following information. Shareholders are also referred to the Independent Expert's Report in Schedule 1 of this Notice and the information relevant for Chapter 2E disclosure purposes in Section 6.

(a) **Identity of acquirers**

The relevant interests and voting power the subject of Resolution 4 are proposed to be acquired by the Vendors, being Graham Martin (and/or his nominee, Geneva General, which is a related party of the Company as it is controlled by Mr Martin), Paul Carroll (and/or his nominee, Excalibur Mining, which is a related party of the Company as it is controlled by Mr Carroll), Richard Boyd (and/or his nominee, Corporate Energetics) and John Halliley (and/or his nominee, Momentum North).

(b) **Voting power after the acquisition and maximum increase**

Because the Vendors who are Cardinal House shareholders are parties to the same agreement for the acquisition of Shares (the Agreement), the Vendors are all taken to be associates of each other. This means that the relevant interests in Shares that each of them has counts toward the voting power in the Company of the others. This does not imply that the Vendors will be associates after Completion.

The maximum extent of the increase in the Vendors' (including the nominees of the Cardinal House Shareholders) respective relevant interests in Shares as a result of the Transaction and the Resolutions is set out in the table below:

	Maximum % under the Agreement	Maximum % on exercise/conversion	Maximum total %
Graham Martin and Geneva General	25.9%	1.5%	27.4%
Paul Carroll and Excalibur Mining	15.7%	0.8%	16.5%
Richard Boyd and Corporate Energetics	1.5%	0.4%	1.9%
John Halliley and Momentum North	3.3%	1.3%	4.6%[1]
TOTAL			50.35%

[1] This figure includes 58,704 Shares already held by one of the Vendors, John Halliley, as at the date of this Notice. That holding is 0.027% of all the Shares on issue in the Company as at the date of this Notice and none of the other Vendors or their associates hold any Shares in the Company as at that date.

Discrepancies may arise in the table due to rounding.

Every column in the table above assumes the exercise of the Options and conversion of the converting loan the subject of Resolution 4.

The maximum extent of the increase in the Vendors' collective voting power in the Company as a result of the Transaction and proposed issues under the Resolutions is from 0.027% to 50.35% (being a maximum increase of 50.32%), equating to 325,892,037 Shares. This is based on the assumptions described below by which the number of Shares on issue would increase from 219,714,630 to 647,243,703. The Vendors' maximum increase in aggregate voting power would have the effect that the shareholding of existing Shareholders other than John Halliley would be diluted by an aggregate of 50.35%.

If the Transaction results in the Vendors acquiring this maximum voting power, collectively they will control the Company.

The Vendors do not expect to all be associates after Completion.

The voting power and relevant interest details described above assume that:

(i) the minimum Capital Raising amount is raised;

(ii) the maximum number of 300,000,000 Shares are issued upon Completion under the Transaction;

(iii) Options proposed to be issued to Graham Martin, Paul Carroll and Richard Boyd (or their nominees) at Resolutions 7, 8 and 11 respectively are converted into Shares;

(iv) the converting loans the subject of Resolution 12 are converted into Shares; and

(v) no other Shares are issued.

The number of Shares to be issued to the Vendors as consideration under the Agreement will be reduced at completion of the Transaction by the amount of any Cardinal House liabilities at completion of the sale. Specifically, the total number of consideration Shares will be reduced by one Share for every 2 cents of Cardinal House liabilities at completion of the Transaction. For example, if Cardinal House has $300,000 of liabilities at completion of the Transaction, the total number of consideration Shares would be 285,000,000 rather than 300,000,000. Although some reduction will occur, the Vendors' maximum voting power stated above has been calculated without taking this into account.

If the above assumptions are altered such that the Options proposed to be issued to Paul Carroll and Richard Boyd or their nominees (referred to at (c) above) are not converted to shares, it is possible that the maximum relevant interest that Graham Martin and Geneva General collectively would acquire would be 27.7%. Based on these assumptions, the extent of the increase in the Vendors' collective voting power in the Company would be from 0.027% to 49.8%.

Refer to Section 1.15 for the Company's estimated pro forma capital structure.

(c) **Associates**

Apart from each other, there are no associates of the Vendors.

(d) **Reasons for the proposed issues, timing and material terms**

The reasons for the Share issues under Resolution 4, indicative timing and material terms are set out in Section 1 and elsewhere in this Explanatory Statement.

(e) **Any other agreements**

Apart from the Agreement and the Converting Loan Agreement between the Company and Momentum North for the repayment of Momentum North's converting loan by conversion into the Shares the subject of paragraph (e) of Resolution 4 (which agreement is further described at Section 8), there are no other relevant agreements between the Vendors (or any of their associates) and the Company that are conditional on (or directly or indirectly depend on) Shareholder approval of the proposed issues under Resolution 4.

(f) **Acquirers' current intentions**

(i) After Completion, the Vendors currently intend to support the change in the Company's business described in Section 1.

(ii) Following the Capital Raising, the Vendors do not anticipate any immediate proposal to inject further capital into the Company.

(iii) The Vendors currently intend to support the Company's continued employment of its present employees, other than the changes to Directors explained in Section 1.11.

(iv) Apart from the Transaction, there is no current proposal where assets will be transferred between the Company and the Vendors or their associates.

(v) The Vendors do not have any current intention to otherwise redeploy the Company's fixed assets.

(vi) The Vendors do not have any current intention to significantly change the Company's financial or dividend distribution policies.

Following Completion, the Company will operate the Cardinal House business, which is in the nature of a start-up business in a rapidly evolving industry. Ordinary business prudence and flexibility may involve the Vendors taking decisions contrary to the current intentions stated above.

(g) **Directors' and Proposed Directors' interests in the acquisition**

Shareholder approval is sought to appoint two of the Vendors (Graham Martin and Paul Carroll) as Directors from Completion. Their interests in the Company are limited to those arising from the Transaction and the Resolutions, as otherwise disclosed in this Explanatory Statement. Relevant information in relation to those Proposed Directors is set out at Section 2.

The existing Directors do not have any interest in the Transaction, other than the issue of Options referred to in Resolutions 9 and 10 and to the extent (if any) arising from the interconditionality of the Resolutions.

Dempsey Resources Pty Ltd is a wholly owned subsidiary of Cape Lambert Resources Ltd (**Cape Lambert**) and currently holds 126,871,848 (57.7%) of the Company. Tony Sage owns 11.61% of Cape Lambert and is a director of that company.

Cauldron Energy Ltd currently holds 22,935,785 (10.44%) of Company. Tony Sage owns 1.03% of that company and he and Mark Gwynne are directors of that company. In addition, Cape Lambert owns 16.02% of that company, contributing to Tony Sage's indirect interest in the Company.

(h) **Directors' recommendation and Independent Expert's Report**

Your Directors recommend you vote in favour of Resolution 4.

The reason for your Directors' recommendation is that they consider that the potential advantages of the Transaction considerably outweigh the potential disadvantages (refer to Sections 1.8 and 1.9 of this Explanatory Statement).

Your Directors also refer Shareholders to the Independent Expert's Report, which states that the expert considers that the proposed Share issues the subject of Resolution 4 are not fair but reasonable to Shareholders (whose votes are not disregarded).

The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 4.

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4. RESOLUTION 5 – ISSUE OF SHARES – CAPITAL RAISING

4.1 General

Resolution 5 seeks Shareholder approval for the issue of up to 81,481,481 Shares at an issue price of $0.027 to investors who the Company invites to subscribe under a Prospectus (**Capital Raising**).

The proposed minimum Capital Raising is for $2,000,000, up to a maximum of $2,200,000.

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 5 will be to allow the Directors to issue the Shares under the Capital Raising during the period 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

4.2 Information required by Listing Rule 7.3

For Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

(a) the maximum number of Shares to be issued based on the proposed maximum Capital Raising of $2,200,000 is 81,481,481;

(b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that the issue of all the Shares under the Capital Raising will occur on the same date;

(c) the issue price will be $0.027 per Share;

(d) the Shares are proposed to be issued to investors (who are not related parties of the Company) at the Board's discretion under an offer by Prospectus for the purpose of Listing Rule 1.1 condition 3;

(e) the Shares proposed to be issued will be fully paid ordinary shares of the Company issued on the same terms and conditions as the Company's existing Shares; and

(f) the Company intends to use the funds raised from the Capital Raising towards the budgeted expenditure described at Section 1.14 of this Explanatory Statement.

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5. RESOLUTION 6 – APPROVAL OF INCENTIVE PLAN

Resolution 6 seeks Shareholders approval for the adoption of the Incentive Plan under Listing Rule 7.2 (Exception 9(b)).

A summary of Listing Rule 7.1 is set out in Section 4.1 above. Listing Rule 7.2 (Exception 9(b)) sets out an exception to Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to Listing Rule 7.1.

If Resolution 6 is passed, the Company will be able to issue Options under the Incentive Plan to eligible participants (or their nominees) over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

No Options have previously been issued or exercised under the Incentive Plan.

The objective of the Incentive Plan is to attract, motivate and retain key employees, Directors and other eligible personnel and it is considered by the Company that the adoption of the Incentive Plan and the future issue of Options under the Incentive Plan will provide selected executives, employees, contractors, consultants, Directors and any eligible others with the opportunity to participate in the future growth of the Company.

The key terms of the Incentive Plan are summarised as follows:

(a) **Eligibility**: Participants in the Incentive Plan may be directors, full-time and part-time employees or certain casual employees or contractors of the Company or any of its Associated Bodies Corporate or a person for whom the Company's offer to issue that person Options under the Incentive Plan rules remains entirely conditional and does not take effect until that person becomes one of the above personnel (each an **Eligible Person**). Alternatively, Eligible Persons may nominate certain parties to receive Options in their place, subject to the Board permitting that nomination (those permitted nominees, together with the Eligible Persons who themselves receive Options under the Incentive Plan, are the **Participants**).

(b) **Administration of Incentive Plan**: The Board is responsible for the operation of the Incentive Plan and has a broad discretion to determine which Eligible Persons (or their permitted nominees) will be offered Options under the Incentive Plan, the terms of offer and the administration, interpretation, amendment and termination of the Incentive Plan (among other powers).

(c) **Offer:** The Board may issue offer documents to Eligible Persons (and their permitted nominees, if any) inviting them to participate in the Incentive Plan by the issue of Options to them

(d) **Consideration for Options:** An Option will be issued for consideration comprising the services that have been or are expected to be provided by Eligible Persons to or for the benefit of the Company or its Associated Bodies Corporate, but no further monetary or other consideration will be payable in respect of the issue of an Option.

(e) **Vesting Conditions:** Options may be subject to one or more vesting conditions (determined by the Board) which must be satisfied before the Options can be exercised into Shares. The Option terms may permit the Board to waive or vary any vesting condition in regard to any Option at any time. Options may also be issued without vesting conditions under the Incentive Plan.

(f) **Change of Control Events:** Options may, at the Board's discretion, provide that if one or more 'Change of Control Events' occur with respect to the Company before the lapse of Options held by a Participant, the Board may, at its discretion conditionally or unconditionally:

(i) bring forward the vesting of all Options held by that Participant to a date determined by the Board; and/or

(ii) waive or vary any one or more vesting condition in regard to any Options held by that Participant.

The relevant 'Change of Control Events' are defined under that term in clause 1.1 of the Incentive Plan rules (attached as Schedule 2).

(g) **Entitlement to underlying Shares:** Subject to the Incentive Plan rules (attached as Schedule 2) and the terms on which an Option is issued, each Option confers on its holder the entitlement to subscribe for and be issued one Share at the exercise price specified by the Company.

(h) **Exercise Period:** Subject to the Incentive Plan rules and the terms on which an Option is issued, an Option is only exercisable by the Participant during the exercise period for that Option specified in the specific terms of issue. The terms of an Option may provide for them to lapse before the expiry date in certain circumstances (such as a vesting condition being unachievable, fraud or the Eligible Person leaving the Company's group in some situations).

(i) **Power of Attorney:** Each Participant irrevocably appoints each of the Company and its nominees severally as the Participant's attorney to complete and execute any documents and to do all acts or things on behalf of and in the name of the Participant which may be convenient or necessary for the purpose of giving effect to the provisions of the Incentive Plan rules.

(j) **ASIC relief:** Under ASIC's Class Order relief the number of Options which the Company may issue without a prospectus under the Incentive Plan (excluding the Options the subject of the Resolutions, to the extent they are proposed to be issued under the Prospectus, without relying on the Class Order) when aggregated with Shares issued or that may be issued (including, without limitation, upon conversion of convertible securities such as Options) as a result of offers made at any time during the previous 3 year period under:

(i) an employee incentive scheme or like scheme of the Company or an Associated Body Corporate, where offers were covered by ASIC's Class Order relief or an individual instrument made by ASIC in terms similar to that relief; or

(ii) an employee incentive scheme or employee share scheme of the Company or an Associated Body Corporate, where the offers were covered by ASIC's previous Class Order relief or an individual instrument made by ASIC in terms similar to that Class Order,

must not exceed 5% of the total number of Shares on issue at the time of an offer (but disregarding any offer of Shares or Options to acquire Shares that can be disregarded in accordance with the relevant ASIC Class Order).

If this 5% amount is amended by the ASIC, that amendment would apply to the Incentive Plan.

(k) **Restriction on transfer:** Except where a vested Option (or Option is transferred under rule 9.3 of the Incentive Plan (attached at Schedule 2), an Option held by a Participant is personal to the Participant and may not be transferred to or be exercised by another person. Participants may not sell or otherwise deal with an Option issued under the Incentive Plan or a Share issued upon exercise of such an Option for any period (if any) during which they are deemed restricted securities by ASX (or under applicable securities laws) or if the terms of offer of the Options provide for a voluntary escrow period controlled by the Board. The Company is authorised to impose a holding lock on the Options and Shares issued upon their exercise, to implement those restrictions. The Options proposed for issue in the Resolutions don't carry a voluntary escrow period.

(l) **Quotation on ASX:** The Company will not apply for official quotation of any Options on the ASX. If admitted to the official list of ASX at the time, subject to compliance with any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws, application will be made by the Company to ASX for quotation of the Shares issued as a result of the exercise of the Options.

(m) **Rights attaching to Shares**: Each Share issued upon exercise of an Option under the Incentive Plan shall be issued on the same terms and conditions as the Company's issued Shares and it will rank equally, from the issue of that Share upon exercise of an Option, with the then issued Shares of the Company (subject to any transfer restrictions imposed by the ASX or under applicable securities laws or voluntary escrow as summarised at (k) above).

(n) **Financial assistance:** Subject to the requirements of any applicable law, the Company may provide financial assistance to a Participant in connection with Options under the Incentive Plan.

Any future issues of Options under the Incentive Plan to Directors or their associates or a person whose relationship with the Company or the Director or the Director's associates is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under Listing Rule 10.14 at the relevant time. For this reason, the Company is also seeking approval under Resolutions 7 to 10 for the issue of Options to certain existing and proposed Directors under the Incentive Plan.

A copy of the Incentive Plan is set out in Schedule 2. The Options are proposed to be issued on the terms set out in Schedule 3 (in respect of Class A Options) and Schedule 4 (in respect of Class B Options) and the Incentive Plan.

6. RESOLUTIONS 7 TO 10 – ISSUE OF OPTIONS TO GRAHAM MARTIN, PAUL CARROLL, TONY SAGE AND MARK GWYNNE

6.1 General

Resolutions 7 to 10 seek Shareholder approval under Listing Rule 10.14 and Chapter 2E of the Corporations Act for the issue of 25,000,000 Options under the Incentive Plan.

On Completion, the Company proposes to issue Options to Graham Martin (or his nominee Geneva General), Paul Carroll (or his nominee Excalibur Mining), Tony Sage (or his nominee Okewood) and Mark Gwynne (or his nominee Silverwest) (together the **Related Participants**) under the Incentive Plan.

Listing Rule 10.14 requires Shareholder approval for this issue of securities under an employee incentive scheme to a director of a listed company. This clearly requires Shareholder approval for the proposed issue of Options to Related Participants.

Chapter 2E of the Corporations Act requires Shareholder approval for a public company to give a financial benefit to a related party, unless an exception applies. The proposed issue of Options constitutes giving a financial benefit and the Related Participants are the Company's related parties because they are Directors or Proposed Directors (or are the controlled nominees of those Directors or Proposed Directors).

The exceptions to Chapter 2E for transactions on arm's length terms and reasonable remuneration most likely apply to the proposed issue of Options. However, as Listing Rule 10.14 requires specific approval in any event, Shareholder approval is also sought under Chapter 2E.

6.2 Information required by Chapter 2E of the Corporations Act and Listing Rule 10.14

For s219 of the Corporations Act and Listing Rule 10.15, the following information is provided in relation to the proposed issue of Options to the Related Participants:

(a) the related parties are the Related Participants and they are each a related party by virtue of being a Director or Proposed Director (or their nominee which are related parties of the Company by virtue of being controlled by the Director or Proposed Director who nominated them);

(b) the maximum number of Options (being the nature of the financial benefit) to be issued to the Related Participants) is:

Related Participant	Options	Resolution	Class of Option
Graham Martin (or his nominee Geneva General)	10,000,000	7	5,000,000 Class A 5,000,000 Class B
Paul Carroll (or his nominee Excalibur Mining)	5,000,000	8	5,000,000 Class A
Tony Sage (or his nominee Okewood)	5,000,000	9	5,000,000 Class A
Mark Gwynne (or his nominee Silverwest)	5,000,000	10	5,000,000 Class A

(c) the Options will be granted for nil cash consideration, accordingly no funds will be raised;

(d) half of the Options proposed to be issued under Resolution 7, and all Options proposed to be issued under Resolutions 8, 9 and 10 will be exercisable at $0.032

each on or before the date which is two years after the date of issue of those Options (subject to a vesting condition) (**Class A Options**);

(e) half of the Options proposed to be issued under Resolution 7 will be exercisable at $0.038 each on or before the date which is two years after the date of issue of those Options (subject to a vesting condition) (**Class B Options**);

(f) no Options have previously been issued under the Incentive Plan;

(g) the persons referred to in Listing Rule 10.14 who are entitled to participate in the Incentive Plan are all the Directors and Proposed Directors and their nominees, however, the Company does not intend to make an offer to Paul Kelly. Accordingly approval is being sought only for the offers to the remaining Directors, the Proposed Directors and their nominees listed below:

Directors	**Proposed Directors**
Tony Sage (and his nominee Okewood)	Graham Martin (and his nominee Geneva General)
Mark Gwynne (and his nominee Silverwest)	Paul Carroll (and his nominee Excalibur Mining)

(h) a voting exclusion statement is included in the Notice;

(i) there will not be any loans in relation to the proposed issues of the Options under Resolutions 7 to 10;

(j) the Options will be issued to the Related Participants no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is intended that all of the Options will be issued on the same date;

(k) the Options proposed to be issued to the Related Participants will be options for fully paid ordinary shares of the Company, which Options are proposed to be issued on the terms set out in Schedule 3 (in respect of Class A Options) and Schedule 4 (in respect of Class B Options) and the Incentive Plan (as summarised in Section 5 and set out in Schedule 2);

(l) Subject to those Option terms, the Options will vest in the event of the Company's market capitalisation reaching and/or exceeding $20 million for a period of at least 10 consecutive trading days on which the Company's Shares are able to be traded on ASX's trading platform;

(m) the relevant interests of the Related Participants in securities of the Company as at the date of this Notice are set out below:

Related Participant	**Shares**	**Options**
Graham Martin (and his nominee Geneva General)	-	-
Paul Carroll (and his nominee Excalibur Mining)	-	-
Tony Sage (and his nominee Okewood)	2,071,699	-
Mark Gwynne (and his nominee Silverwest)	-	-

(n) the value of the Options proposed for issue to the Related Participants and the pricing methodology is as follows:

Using the Black & Scholes options model and based on the assumptions set out below, the Options were ascribed the following value:

Assumptions:	**Class A Options**	**Class B Options**
Valuation date	15 February 2016	15 February 2016
Market price of Shares[1]	3.7 cents	3.7 cents
Exercise price	3.2 cents	3.8 cents
Expiry date (length of time from issue)	2 years	2 years
Risk free interest rate	1.95%	1.95%
Volatility	138.41%	138.41%
Discount	Nil	Nil
Indicative value per Option	2.60 cents	2.49 cents
Total Value of Options to Related Participants	$519,340	$124,748
Value of Options to Related Participants		
Graham Martin (and his nominee Geneva General)	$129,835	$124,748
Paul Carroll (and his nominee Excalibur Mining)	$129,835	-
Tony Sage (and his nominee Okewood)	$129,835	-
Mark Gwynne (and his nominee Silverwest)	$129,835	-

[1] For the purposes of this valuation, the market price of Shares has been determined at $0.037 per share, being the closing market price of Shares on 15 February 2016.

Note: The valuation noted above is not necessarily the market price that the Related Participant Options could be traded at and is not automatically the market price for taxation purposes.

(o) the amounts paid from the Company to the Related Participants and their associate(s) for the previous two financial years (and their proposed remuneration and emoluments for the current financial year (assuming Completion occurs on 31 May 2016)) are set out below (inclusive of any superannuation):

Related Participant	**Current FY[1]**	**FY2015**	**FY2014[2]**
Graham Martin (and his nominee Geneva General)	$5,000	-	-
Paul Carroll (and his nominee Excalibur Mining)	$14,583	-	-
Tony Sage (and his nominee Okewood)	$120,000	$120,000	$90,000
Mark Gwynne (and his nominee Silverwest)	$146,250	$174,955	$131,248

[1] As proposed, subject to agreement.
[2] Comparative period relates to nine month period ended 30 June 2014 due to a change in financial year end in that period.

(p) if the maximum number of Options are issued to the Related Participants and exercised, a total of 25,000,000 Shares would be issued. This will increase the number of Shares on issue from approximately 619,758,738 to approximately 644,758,738 (assuming that no other Options are exercised and no other Shares are issued other than the minimum number described in the Resolutions) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 3.9% comprising 1.56% by Graham Martin (and/or his nominee Geneva General), 0.78% by Paul Carroll (and/or his nominee Excalibur Mining), 0.78% by Tony Sage (and/or his nominee Okewood) and 0.78% by Mark Gwynne (and/or his nominee Silverwest);

(q) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price (cents)	**Date(s)**
Highest	4.0	23 February 2016
Lowest	0.6	22 May and 2 June 2015
Last	3.8	26 February 2016

(r) the primary purpose of the provision of the Options to the Related Participants is as a part of the Incentive Plan to attract, motivate and retain key personnel and to provide them with opportunity to participate in the future growth of the Company;

(s) the market price for Shares during the term of the Options would normally determine whether or not the Options are exercised. If, at any time any of the Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Options, there may be a perceived cost to the Company;

(t) the issue of Options to the Related Participants who are, or are proposed to be, Non-Executive Directors is contrary to Recommendation 8.2 of The Corporate Governance Principles and Recommendations (3rd Edition) as published by The ASX Corporate Governance Council, however, the Board considers the grant of Options to such Related Participants is reasonable in the circumstances for the reason set out in paragraph (u);

(u) subject to paragraphs (v) to (w), the Board recommends that Shareholders vote in favour of Resolutions 7 to 10 for the following reasons:

   (i) the issue of Options will align the interests of the Related Participants with those of Shareholders by creating a stronger link between performance and reward to the Related Participants. Each Related Participant will have a greater involvement with, and share in, any future growth of the Company (although no forecast is made); and

   (ii) the issuance of the Options is a reasonable and appropriate method to provide benefits to the Related Participants as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash benefits were given to the Related Participants;

(v) Tony Sage declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material personal interest in the outcome of the Resolution;

(w) Mark Gwynne declines to make a recommendation to Shareholders in relation to Resolution 10 due to his material personal interest in the outcome of the Resolution;

(x) the Board considers that in issuing the Options to the Related Participants upon the terms proposed the following opportunity cost to the Company and benefits foregone by the Company may occur:

    (i) cash consideration will not be paid for the Options under Resolutions 7 to 10; and

    (ii) the exercise of the Options under Resolutions 7 to 10 will have a dilutive effect, as referred to in Section 6.2(p);

(y) in forming their recommendations, each Director considered the experience of each other Related Participant, the existing and proposed contribution of each Related Participant to the Company and the current market practices when determining the issuance of Options on the terms proposed; and

(z) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 7 to 10.

Approval under Listing Rule 7.1 is not required for the issues the subject of Resolutions 7 to 10 as approval is being obtained under Listing Rule 10.14. Accordingly, the issue of Shares to the Related Participants will not be included in the use of the Company's 15% annual placement capacity under Listing Rule 7.1.

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7. RESOLUTION 11 – ISSUE OF OPTIONS TO UNRELATED PARTIES

7.1 General

Resolution 11 seeks Shareholder approval for the issue of up to 35,000,000 Options to its various parties which are not related parties of the Company. The precise recipients of those Options may include existing and proposed consultants, employees and/or brokers of the Company or its group, who may receive Options in consideration for their services.

A summary of Listing Rule 7.1 is set out in Section 4.1 above.

The effect of Resolution 11 will be to allow the Company to issue the Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

7.2 Information required by Listing Rule 7.3

For Listing Rule 7.3, the following information is provided in relation to the proposed issue of Options under this Resolution 11:

(a) the maximum number of Options to be issued is 35,000,000;

(b) the Options proposed to be issued under Resolution 11 will be exercisable at $0.032 each on or before the date which is two years after the date of issue of those Options (subject to a vesting condition) (Class A Options);

(c) the Options will vest in the event of the Company's market capitalisation reaching and/or exceeding $20 million for a period of at least 10 consecutive trading days on which the Company's Shares are able to be traded on ASX's trading platform;

(d) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of the Options will occur on Completion;

(e) the Options will be issued for nil cash consideration in satisfaction of broker or management and advisory services provided or proposed to be provided by consultants, employees and/or brokers;

(f) the Options may be issued to the Company's or the Company's group's brokers for the Capital Raising, employees or consultants (who may include the Company's existing or proposed management), who are not related parties of the Company in the following numbers or to nominees of the following parties:

Proposed holder	**Potential number of Options**
Richard Boyd (or his nominee, Corporate Energetics)[1]	2,500,000
Employees, consultants and/or brokers	32,500,000
Total	35,000,000

[1] Mr Boyd is one of the Vendors. His Options described in this table are the same as those the subject of paragraph (d) of Resolution 4.

(g) the Options will be issued on the terms and conditions set out in Schedule 3 and some or all of them may or may not also be issued under the Incentive Plan, depending on whether the recipients are eligible and the Board determines to issue them under the Incentive Plan; and

(h) no funds will be raised from the issue of Options proposed by Resolution 11 as they are proposed to be issued in consideration for services.

8. RESOLUTION 12 – ISSUE OF SHARES – CONVERTING LOAN AGREEMENTS

8.1 General

Resolution 12 seeks Shareholder approval for the issue of 35,954,999 Shares at a deemed issue price of $0.012 per Share to Lenders under the Converting Loan Agreements totalling $431,460 (**Converting Loans**). The Company subsequently repaid $50,000 of the $481,460 initially received under the Converting Loan Agreements as announced to the ASX on 26 August 2015.

A summary of Listing Rule 7.1 is set out in Section 4.1 above.

The effect of Resolution 12 will be to allow the Company to issue the Shares under the Converting Loan Agreements during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

8.2 Information required by Listing Rule 7.3

For Listing Rule 7.3, the following information is provided in relation to the proposed issue of Shares on conversion of the Converting Loans:

(a) the maximum number of Shares to be issued on conversion of the Converting Loans is 35,954,999;

(b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that the issue of all of the Shares will occur on the same date;

(c) the Shares will be issued to Lenders, who are not related parties of the Company, in consideration for the conversion of their Converting Loans, in the following numbers or to nominees of the following parties:

Lenders	Number of Shares
Momentum North[1]	8,333,333
Moltoni No 1 Pty Ltd atf Moltoni No1 discretionary trust	2,083,333
Moltoni Super Pty Ltd <Moltoni Super fund>	2,083,333
Roland Berzins	2,083,333
John Charles Cherry	12,500,000
Australian Trade Access Pty Ltd < ATA Superannuation Fund a/c>	4,166,667
Australian Trade Access Pty Ltd	2,500,000
Tabah Pty Ltd ATF the Dempsey Family Trust	1,041,667
Peter David Swain	833,333
Paul James Hathway	330,000
Total	35,954,999

[1]Momentum North's Shares described in this table are the same as those the subject of paragraph (e) of Resolution 4. John Halliley is a Vendor and controls and has a beneficial interest in Momentum North.

(d) the Shares proposed to be issued will be fully paid ordinary shares of the Company issued on the same terms and conditions as the Company's existing Shares; and

(e) because the issue of Shares is by way of conversion of the Converting Loans, no additional funds will be raised. The funds lent under the Converting Loans have or will be expended largely on advisors fees relating to the Transaction and corporate overheads.

9. RESOLUTION 13 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 13 seeks the approval of Shareholders for the Company to change its name to Cardinal House Group Limited.

If Resolution 13 is passed, the change of name will take effect after Completion and when ASIC alters the details of the Company's registration.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company, if Completion occurs.

GLOSSARY

$ or **AUD** means Australian dollars unless otherwise specified.

Agreement means the share sale agreement entered into between the Company and the Vendors in respect of the Transaction, the material terms of which are summarised in Section 1.1.

ASIC means the Australian Securities and Investments Commission.

Associated Body Corporate means:

(i) a body corporate that is a related body corporate of the Company (as provided under the Corporations Act); or

(ii) a body corporate that has voting power in the Company of not less than 20%; or

(iii) a body corporate in which the Company has voting power of not less than 20%.

ASX means ASX Limited.

B2B means business to business.

B2C means business to customer.

Betting Exchange means a facility that enables persons to:

(i) place or accept, through the betting exchange, exchange bets with other persons; or

(ii) place with the betting exchange, exchange bets that, on acceptance, are matched with opposing exchange bets placed with and accepted by Cardinal House (so as to offset all risk to Cardinal House).

Board means the current board of directors of the Company except that in relation to the Incentive Plan rules that term has the meaning set out in Rule 1.1 of those rules annexed at Schedule 2.

Bookmaker means a person who:

(i) carries on the business of, or acts as, a bookmaker; or

(ii) makes, or endeavours to make, his or her living wholly or partly by taking bets.

Bookmaking Service means a bookmaking service (which may include a fully functional account totalisator bookmaking service conducted by either Cardinal House, or a commingling partner) as approved by the Authority for use by a bookmaker licensed by the Authority, and which is designed to accept and cater for all bets taken on a race conducted at a race meeting or on the outcome of a sport betting event or event whether or not those bets are commingled.

Capital Raising has the meaning given in Section 4.1.

Cardinal House means Cardinal House Group Pty Ltd ACN 606 958 123.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel, a spouse or child of the member; a child of the member's spouse; a dependent of the member or the member's spouse; anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity; a company the member controls; or a person prescribed by the *Corporations Regulations 2001 (Cth).*

Company means Fe Limited ACN 112 731 638.

Completion means completion of the Transaction under the Agreement.

Constitution means the Company's current constitution.

Converting Loan Agreements means collectively the converting loan agreements dated on or about 26 August 2015 (as amended) between the Company and the Lenders as described in Section 8.

Corporate Energetics means Corporate Energetics Pty Ltd ACN 108 701 935 as trustee for the Boyd Family Trust, a company controlled by Richard Boyd.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Directors means the directors of the Company.

Eligible Person has the meaning given in Section 5.

Excalibur Mining means Excalibur Mining Solutions Pty Ltd ACN 169 652 975 as trustee for the Excalibur Family Trust, a company controlled by Paul Carroll.

Explanatory Statement means the explanatory statement accompanying and forming part of the Notice of Meeting.

Game Package in respect of a game of chance or a game that is partly a game of chance and partly a game requiring skill and includes any prescribed activity, means:

(i) the game;

(ii) any software under which a game operates and the source code for that software;

(iii) the rules of the game;

(iv) any material accompanying the game; and

(v) the manner in which the game and accompanying material interacts with, and presents to, any player.

gaming includes playing a game for money or other reward and includes making or accepting a wager.

Geneva General means Geneva General Investments LLP, company number OC383079, a company incorporated in the United Kingdom that is owned and controlled by Graham Martin.

Incentive Plan means the employee and director incentive plan the subject of Resolution 6, a copy of which is set out in Schedule 2.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Lenders means the parties to the Company's Converting Loan Agreements as described in Section 8.

lottery means a scheme or device for the distribution of a prize by way of sale, gift or otherwise if:

(i) the prize consists of a right to any real or personal benefit or real or personal thing; and

(ii) the distribution involves an element of chance for which a payment or other consideration is made or given,

but, unless legally permitted, does not include a lottery in respect of which an agreement or licence is granted in accordance with the Norfolk Island Lotteries and Fundraising Act.

Listing Rules means the Listing Rules of ASX.

Meeting means the meeting convened by this Notice.

Momentum North means Momentum North Pty Ltd ACN 145 852 982 as trustee for The Halliley Superannuation Fund, a company controlled by John Halliley.

Notice or **Notice of Meeting** or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement, the Proxy Form and the Schedules.

Okewood means Okewood Pty Ltd (ABN 16 053 910 133), a company that Tony Sage controls as sole director.

Option means an option to acquire a Share.

Participant has the meaning given in Section 5.

Proposed Directors means Graham Martin and Paul Carroll.

Prospectus means the prospectus to be issued by the Company for (among other purposes) the Capital Raising.

Proxy Form means the proxy form accompanying, and forming part of, the Notice.

Related Participants has the meaning given in Section 6.1.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Section means a section of the Explanatory Statement unless otherwise specified.

Share means a fully paid ordinary share of the Company.

Shareholder means a holder of a Share.

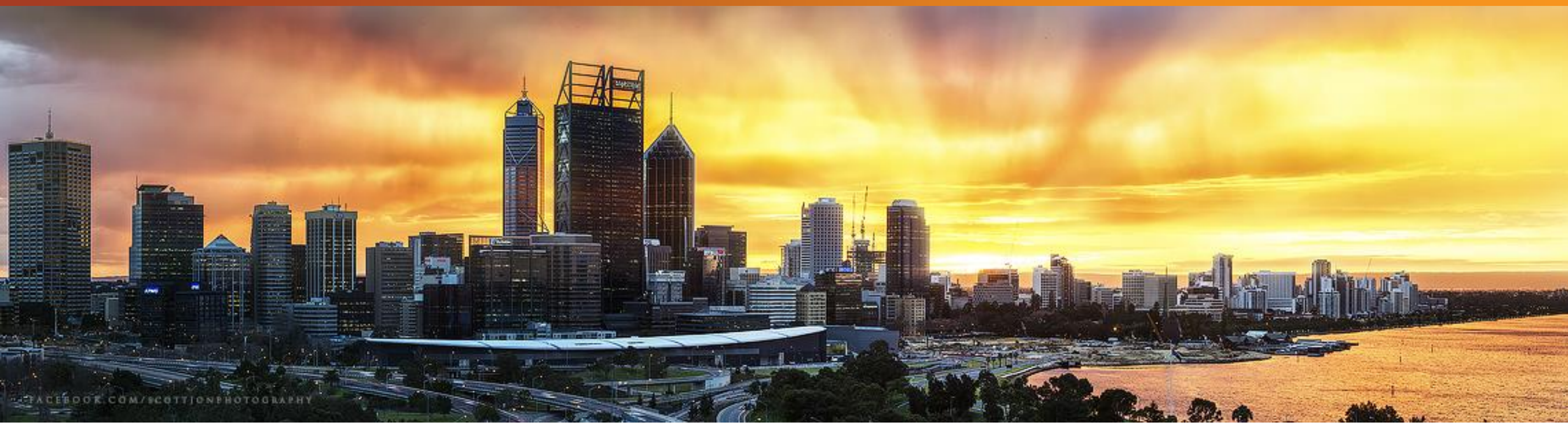
Silverwest means Silverwest Corporation Pty Ltd (ABN 20 763 065 653) as trustee for the Coral Reefers Family Trust, a company controlled by Mark Gwynne.

Transaction means the proposed acquisition of 100% of Cardinal House's shares from the Vendors under the Agreement.

Vendor means each holder of Cardinal House shares who has entered into the Agreement, being Paul Carroll, Graham Martin, Richard Boyd and John Halliley (and their respective nominees for potentially holding the consideration under the Agreement, being Geneva General (for Graham Martin), Excalibur Mining (for Paul Carroll), Corporate Energetics (for Richard Boyd) and Momentum North (for John Halliley)).

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – INDEPENDENT EXPERT'S REPORT



FE LIMITED

Independent Expert's Report

Dated

2 March 2016

Accountants
Auditors
Advisors

PREPARED BY:
Bentleys Corporate Advisory (WA) Pty Ltd
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FE LIMITED

INDEPENDENT EXPERT'S REPORT

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2 March 2016

Bentleys
THINKING AHEAD

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The Directors
Fe Limited
32 Harrogate Street
WEST LEEDERVILLE WA 6007

Dear Sirs

FE LIMITED
Independent Expert's Report

As outlined in Fe Limited's Notice of General Meeting, Resolution 4 is seeking approval for:

- **the issue of up to 300,000,000 ordinary shares in Fe Limited to the Vendors of Cardinal House Pty Ltd (or their nominees) in consideration for the acquisition of all the shares of Cardinal House Group Pty Ltd;**
- **the issue of up to 10,000,000 ordinary shares in Fe Limited to Mr Graham Martin, 5,000,000 ordinary shares to Mr Paul Carroll and 2,500,000 ordinary shares to Mr Richard Boyd, three of the Vendors of Cardinal House Group Pty Ltd (or their nominees), upon exercise of Fe Limited options proposed to be issued (Resolutions 7, 8 and 11 respectively);**
- **the issue of up to 8,333,333 ordinary shares to Momentum North (or its nominee) a company associated with Mr John Halliley one the Vendors of Cardinal House Group Pty Ltd following the conversion of Momentum North's converting loan (as part of Resolution 12);**

Following completion of the Proposed Transaction, entities associated with Mr Graham Martin will hold more than 20% of FEL's post completion share capital and collectively the Vendors of CHG and entities associated with them will together hold up to 50.4% of FEL's post completion share capital.

We have concluded that the transactions referred to above are NOT FAIR BUT REASONABLE to the non-associated shareholders of the Company as at the date of this report.

1. INTRODUCTION

Fe Limited ('FEL' or 'the Company') is an Australian company with interests in a large portfolio of mineral resource projects at exploration stage located in Australia that are prospective for iron ore, gold and base metals. On 30 September 2015 the Company announced it had signed a binding term sheet to acquire 100% of Cardinal House Group Pty Ltd ('CHG'). The Share Sale Agreement was signed by FEL and CHG on 12 November 2015. The directors of FEL have engaged Bentleys Corporate Advisory (WA) Pty Ltd ('BCA') to prepare an Independent Expert's Report relating to the proposal whereby FEL will acquire 100% of the issued capital of CHG and other issues to the CHG

Vendors or their nominees (referred to as 'the Proposed Transaction') to determine whether the terms of the transaction are fair and reasonable to non-associated shareholders of FEL.

This report is to accompany the Notice of General Meeting of Shareholders and Explanatory Statement of FEL to be sent to all shareholders to assist them in determining whether or not to approve the Proposed Transaction ('Notice of General Meeting'). Apart from the purpose stated directly above, this report cannot be used or relied on for any other purpose or by any other person or entity.

Our assessment of the Proposed Transaction relies on financial information and instructions provided by the Company and the Directors. As instructed, we have not completed any audit or due diligence of the information which has been provided or of the entities which have been valued. This report does not contain any accounting or taxation advice.

2. SUMMARY AND OPINION

In our opinion the Proposed Transaction is not fair but reasonable to the non-associated shareholders of FEL as the advantages of approving the Proposed Transaction outweigh the disadvantages to Shareholders.

In the assessment of fairness we compared the fair value of a share in FEL on a control basis prior to the Proposed Transaction with the fair value of a share in FEL on a non-control basis immediately following the Proposed Transaction. The valuation methodologies we have considered in determining a theoretical value of an FEL ordinary share (and also a CHG share) are:

- Discounted cash flow;
- Capitalised maintainable earnings;
- Net asset value;
- Quoted market price; and
- Comparable market transactions.

We have concluded that the fair value of a share in FEL on a control basis prior to the Proposed Transaction is greater than the fair value of a share in FEL on a non-control basis immediately following the Proposed Transaction, therefore the proposals under Resolution 4 is not considered to be fair.

Although we have included the proposed capital raising in our analysis in section 9, we have excluded it when considering our opinion on fairness.

In assessing whether the Proposed Transaction is reasonable, we have considered the likely advantages and likely disadvantages to non-associated shareholders of FEL and whether the likely advantages outweigh the likely disadvantages. We have also considered the impact upon FEL shareholders that the Proposed Transaction as a whole will achieve.

As part of our assessment of whether the Proposed Transaction is reasonable, we have also considered the likely impact upon FEL shareholders if the Proposed Transaction does not proceed.

We concluded that the likely advantages of the Proposed Transaction outweigh the likely disadvantages and consequently, in our opinion, the non-associated shareholders will be better off if the Proposed Transaction proceeds than if it does not.

The principal factors affecting our opinion are discussed in more detail in section 9 and 10 of this report.

3. PURPOSE OF THIS REPORT

This report has been independently prepared to accompany the Notice of General Meeting of FEL and Explanatory Statement to be sent to its shareholders.

Whilst this report is provided to all shareholders of FEL, its purpose is to provide an independent opinion to the 'non-associated' shareholders of FEL. Defined in simple terms, these are shareholders who are not in any other way associated with the parties to the Proposed Transaction, CHG, nor the Vendors of CHG.

This report is required to express an opinion as to whether the Proposed Transaction is fair and reasonable to non-associated shareholders of FEL.

Scope and Basis of Evaluation

Sections 606 and 611 of the Corporations Act 2001

Section 606 of the Corporations Act 2001 ('the Act') expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Following completion of the Proposed Transaction, Mr Graham Martin or entities associated with Mr Graham Martin will hold more than 20% of FEL's post completion share capital and collectively the Vendors of CHG and entities associated with them will together hold up to 50.4% of FEL's post completion share capital.

Item 7 of Section 611 permits such an acquisition and associated share issues if the shareholders of the company have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that the shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

Regulatory Guide 74 issued by ASIC deals with 'Acquisitions Agreed to by Shareholders'. It states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of FEL, by either undertaking a detailed examination of the transaction themselves (if they consider that they have sufficient expertise) or by commissioning an Independent Expert's Report.

The directors of FEL have commissioned this Independent Expert's Report.

ASIC Regulatory Guide 111 ('RG 111')

In preparing our report we have had regard to the guidelines set out in RG 111. The Act does not define the term 'fair and reasonable'; however RG 111 provides that each of these criteria be assessed individually and not as a compound phrase. RG 111 provides that the Proposed Transaction:

- Will be considered 'fair' if the value of the consideration to be received by FEL (ie 100% shareholding in CHG) is equal to or greater than the value of the consideration proposed to be paid by FEL (ie issue of FEL shares). This comparison is required to be made assuming an arm's length transaction between knowledgeable and willing, but not anxious parties;
- Will be considered 'reasonable' if it is 'fair'; and
- May be considered 'reasonable' despite being 'not fair', if the expert believes there are other reasons for shareholders to vote in favour of the proposal.

We also have had regard to RG 112, which outlines guidelines with respect to the independence of requirements of experts.

Furthermore, we have also compared the likely advantages and disadvantages of the Proposed Transaction proceeding and the implications of the Proposed Transaction not proceeding.

Whilst the terms of 'fairness' and 'reasonableness' are not defined in the Act, we have considered them in the following context for the purpose of this report:

Is the proposed transaction fair?	The Proposed Transaction is fair if the value of an FEL share post the Proposed Transaction on a non-control basis is equal to or greater than the value of an FEL share prior to the Proposed Transaction on a control basis.
Is the proposed transaction reasonable?	The Proposed Transaction may be reasonable whether it is fair or unfair, as it involves consideration of other significant factors that FEL shareholders might consider prior to voting on the resolution to approve the Proposed Transaction.

Consistent with current policy and regulatory guidelines referred to above, we have assessed the proposals and objectives of the Proposed Transaction taken as a whole, which must be fair and reasonable to the non-associated shareholders of FEL. We have also considered the position of those non-associated shareholders in the event that the Proposed Transaction proceeds, or if it does not.

This report deals with the effect of the Proposed Transaction on FEL as a whole and does not cover the individual positions of each of the non-associated shareholders. Nor does it consider the individual taxation position of non-associated shareholders, which depends upon individual circumstances. Non-associated shareholders should therefore seek their own professional financial and taxation advice.

This report aims to provide an opinion on the fairness and reasonableness of the Proposed Transaction as it impacts upon all non-associated shareholders as a group.

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

> *"an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time."*

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

Existing Conditions

It must also be noted that the conclusions reached and opinions expressed in this report are made in the context of the prevailing economic, market and business conditions existing at the date of this report. An assessment of the likelihood of any significant changes in these conditions, which may then impact upon both FEL and CHG are outside the scope of this report.

Bentleys Corporate Advisory (WA) Pty Ltd has been engaged by the Directors of FEL to prepare this report providing an independent opinion as to the fairness and reasonableness of the Proposed Transaction for the purposes as specified in this report only. This report has been prepared for the exclusive purpose of assisting the non-associated shareholders in their assessment of the Proposed Transaction and for no other purpose.

4. OUTLINE OF THE PROPOSED TRANSACTION

As detailed above in section 1, FEL has entered into a conditional binding Share Sale Agreement with CHG and the Vendors, (being Messrs Graham Martin, Paul Carroll, Richard Boyd and John Halliley), to acquire 100% of the issued shares of CHG.

The Proposed Transaction involves:

- FEL acquiring 100% of the issued shares of CHG, resulting in CHG becoming a wholly-owned subsidiary of FEL and FEL's business changing to include CHG's business;
- FEL issuing the Vendors up to 300,000,000 Shares as consideration for the acquisition (see note below in relation to section 4.2 (3) of the Share Sale Agreement as to how this amount may be reduced);
- FEL raising at least $2 million by the offer of Shares under a Prospectus; and
- FEL issuing Options to its Directors (other than Paul Kelly) and its proposed Directors Messrs Graham Martin and Paul Carroll (or their respective nominees), to Richard Boyd (or his nominee), consultants and brokers.

Further, section 4.2 (3) of the Share Sale Agreement and Deed of Variation and Accession to the Share Sale Agreement states that:

> *"To the extent that there are any liabilities of the Company as at the Completion Date, for each dollar of liability the Purchase Price for each Seller will be reduced as follows:*
>
> > *(a) for Graham Martin (or his Nominee), 27.89 Fe Shares; and*
> > *(b) for Paul Carroll (or his Nominee), 16.97 Fe Shares.*
> > *(c) for John Halliley (or his Nominee), 3.515 Fe Shares; and*
> > *(d) for Richard Boyd (or his Nominee), 1.625 Fe Shares,*

with any fractional amounts being rounded up to the nearest Fe Share. This adopts a deemed issue price of $0.02 per Fe Share, with the reduction apportioned between the above Sellers in the proportions 55.78:33.94:7.03:3.25."

In additional to the above aspect of the Proposed Transaction, Momentum North (or its nominee) a company associated with Mr John Halliley, will also receive 8,333,333 ordinary shares in FEL as part of the conversion of the converting loan in Resolution 12.

If the Proposed Transaction proceeds, FEL has indicated the Company expects to dispose of its existing mining exploration business. There are no current proposals received for the purchase of these assets.

Conditions to the Transaction

Under the Agreement, completion of the Proposed Transaction is subject to the following conditions first being satisfied:

- FEL completing financial and legal due diligence on CHG to FEL's satisfaction, in its sole discretion;
- the Company having obtained all necessary shareholder approvals required by the Corporations Act and the Listing Rules in relation to the Agreement and in relation to such other matters as determined by the Company;
- CHG providing to the Company consolidated financial statements in respect of CHG for the period from its incorporation up until:
  - 30 September 2015;
  - 31 October 2015; and

  the end of each calendar month until the satisfaction or waiver of the other conditions to the Transaction;
- the Company entering into an agreement providing for Mr Paul Carroll to act as the Company's managing director;
- the Company shall not incur expenses in excess of $50,000 between 25 September 2015 and completion of the Acquisition other than:
  - expenses relating to the transactions contemplated by the Agreement such as, but not limited to, legal fees, accounting fees and corporate advisory fees;
  - expenses relating to transactions which the Company determines will be conducted prior to or contemporaneously with the Company's re-compliance with Chapters 1 and 2 of the Listing Rules, including issues of further securities in the Company;
  - expenses relating to the Company maintaining its current business operations and regulatory obligations such as, but not limited to, registered office fees, ASX listing fees, compliance fees, insurances and registry fees; and
  - expenses incurred with the prior written consent of CHG;
- the Company confirming it can raise a minimum of $2,000,000, or such other amount as the Company determines, pursuant to a capital raising at a price to be determined by the Company's board (such capital raising to be settled on or about Completion) and the Company obtaining conditional approval to be reinstated to quotation, subject to conditions acceptable to the Company;
- all necessary statutory and regulatory approvals and any other third party consents or waivers necessary or desirable for Completion;

Summary of Capital Structure

The table below demonstrates the capital structure prior to the Proposed Transaction, with several scenarios of dilution after the Proposed Transaction depending on the value of capital raised and CHG liabilities to be deducted:

Assumptions: 10m Options issued to Graham Martin are exercised, 5m Options issued to Paul Carroll are exercised and 2.5m Options issued to Richard Boyd are exercised, and no additional securities are issued or transferred.

Fully Paid Ordinary Shares of FEL			Capital Raising Amount				Capital Raising Amount			
			$2.0 m		$2.2 m		$2.0 m		$2.2 m	
			Cardinal Liabilities at Completion = Nil				Cardinal Liabilities at Completion = $199,699			
	Pre Issue		Post Issue		Post Issue		Post Issue		Post Issue	
Shareholder	**No Shares**	**%**	**No Shares**	**%**	**No Shares**	**%**	**No Shares**	**%**	**No Shares**	**%**
Dempsey Resources Pty Ltd (CFE)	126,871,848	57.7%	126,871,848	19.6%	126,871,848	19.4%	126,871,848	19.9%	126,871,848	19.7%
Cauldron Energy Limited (CXU)	22,935,785	10.4%	22,935,785	3.5%	22,935,785	3.5%	22,935,785	3.6%	22,935,785	3.6%
Other converting loan shareholders	-	0.0%	27,621,666	4.3%	27,621,666	4.2%	27,621,666	4.3%	27,621,666	4.3%
Momentum North's converting loan shares*	-	0.0%	8,333,333	1.3%	8,333,333	1.3%	8,333,333	1.3%	8,333,333	1.3%
Graham Martin	**-**	**0.0%**	**177,340,000**	**27.4%**	**177,340,000**	**27.1%**	**171,770,387**	**27.0%**	**171,770,387**	**26.6%**
Paul Carroll	-	0.0%	106,820,000	16.5%	106,820,000	16.3%	103,431,103	16.2%	103,431,103	16.0%
Richard Boyd	-	0.0%	12,250,000	1.9%	12,250,000	1.9%	11,925,489	1.9%	11,925,489	1.8%
John Halliley	58,704	0.1%	21,148,704	3.3%	21,148,704	3.2%	20,446,761	3.2%	20,446,761	3.2%
All other shareholders	69,848,293	31.8%	143,922,367	22.2%	151,329,774	23.1%	143,922,367	22.6%	151,329,774	23.5%
Total	219,714,630	100.0%	647,243,703	100.0%	654,651,110	100.0%	637,258,739	100.0%	644,666,146	100.0%

* John Halliley (one of the Vendors of CHG) controls and has a beneficial interest in Momentum North

Mr Graham Martin, one of the Vendors of CHG, will have, on completion of the Proposed Transaction and assuming the issue of 74,074,074 ordinary shares of FEL at $0.027 each to raise a gross $2,000,000 and assuming there will be no CHG liabilities to be paid out at the completion of the Proposed Transaction, up to a maximum relevant interest of approximately 27.4% in the expanded issued capital of FEL. The balance of the Vendors of CHG will have, on completion of the Proposed Transaction using the same assumptions, up to a maximum relevant interest of approximately 23.0% in the expanded issued capital of FEL, with the Vendors of CHG and their associates collectively holding up to approximately 50.4% of the expanded issued capital of FEL.

Mr Graham Martin will acquire a minimum relevant interest of 26.6% of the Company based on the assumptions that the issue of 81,481,481 ordinary shares of FEL at $0.027 each to raise a gross $2,200,000 and assuming there will be $199,699 CHG liabilities to be paid out at the completion of the Proposed Transaction. The balance of the Vendors of CHG will acquire a minimum relevant interest of 22.3% of the Company based on the same assumptions, with the Vendors of CHG and their associates collectively holding up to approximately 48.9% of the expanded issued capital of FEL.

5. PROFILE OF FE LIMITED

Fe Limited ('FEL' or 'the Company') is an Australian company which was listed on the ASX on 13 October 2005. The Company was previously named Buka Gold Ltd and focused on the exploration and development of goldfields in Australia. FEL currently holds, or has rights or interests in several tenements prospective for iron ore, nickel, copper and gold located in Western Australia. This includes interests and rights in the 3 iron-focused projects at Mt Ida, Mt Elvire and Robinson Range.

The Company's current board members and senior management comprise of:

- Mr Antony Sage – Non-Executive Chairman
- Mr Mark Gwynne – Executive Director
- Mr Paul Kelly – Non-Executive Director
- Ms Eloise von Puttkammer – Company Secretary

On 30 September 2015 the Company announced it had signed a binding term sheet to acquire 100% of Cardinal House Group Pty Ltd ('CHG'). If the Proposed Transaction proceeds, FEL has indicated the Company expects to dispose of its existing mining exploration business. There are no current proposals received for the purchase of these assets.

Below is a summary of the Company's mining interests:

- Bryah Basin Joint Venture Projects ('Bryah Basin') 20% rights, free carried to decision to mine in 17 tenements. Subject to joint ventures with Alchemy Resources Ltd (ASX: ALY), RNI NL (formerly, Resource and Investment NL) (ASX: RNI) and PepinNini Minerals Ltd (ASX: PNN);
- Grosvenor Project - RNI NL 80%, FEL 20% free carried to Decision to Mine in nine tenements;
- Robinson Range Iron Ore Project (20%) free carried to decision to mine in four tenements;
- Mt Ida Iron Ore Project – 71 licences;
- Evanston Iron Ore Royalty (Cliffs Asia Pacific Iron Ore Pty Ltd, a subsidiary of Cliffs Natural Resources Inc)

Historical Statement of Financial Position

	FEL audit reviewed 31 December 2015	FEL audited 30 June 2015	FEL audit reviewed 31 December 2014	FEL audited 30 June 2014
Cash and cash equivalents	386,744	277,559	420,071	766,709
Trade and other receivables	36,060	15,631	17,649	23,518
Capital raising costs	14,400	-	-	-
Other assets	10,331	-	12,410	17,162
Total current assets	447,535	293,190	450,130	807,389
Exploration and evaluation expenditure	-	-	-	735,232
Property, plant and equipment	5,188	6,106	24,189	25,094
Available for sale financial assets	1,250	750	1,000	750
Total non-current assets	6,438	6,856	25,189	761,076
Total assets	453,973	300,046	475,319	1,568,465
Trade and other payables	199,596	107,081	78,177	102,228
Total current liabilities	199,596	107,081	78,177	102,228
Total liabilities	199,596	107,081	78,177	102,228
Net assets	**254,377**	**192,965**	**397,142**	**1,466,237**
Issued Capital	36,251,604	36,251,604	36,251,604	36,251,604
Unissued capital reserve	431,460	-	-	-
Reserves	1,724,125	1,721,232	1,718,781	1,718,781
Retained earnings	(38,152,812)	(37,779,871)	(37,573,243)	(36,504,148)
Total equity	**254,377**	**192,965**	**397,142**	**1,466,237**

Source: Audited financial statements of FEL for the year ended 30 June 2015, nine months ended 30 June 2014 and audit reviewed financial statements at 31 December 2015 and 2014.

The Company's auditor has issued an unmodified opinion in the review report in the financial statements with an emphasis of matter on going concern for the six months ended 31 December 2015 and 2014, and audited report for the year ended 30 June 2015 and nine months ended 30 June 2014.

We note the following in relation to FEL's Statement of Financial Position:

- Cash and cash equivalents are gradually declining over the three periods to 30 June 2015. Due to the issue and conversion of convertible notes during the six months to 31 December 2015 the Company raised $431,460, specifically for the purpose of procuring a substantial new asset for the company, which has resulted in the proposal to acquire 100% of CHG. This has contributed to an increased cash position in the last six month period.
- Exploration and evaluation assets were completely written off by 31 December 2014. As at that date, the Company's expenditure on exploration and evaluation of mineral resources had not led to the discovery of commercially viable quantities of mineral sources and therefore the Company's carry forward capitalised value of these tenements under the current market conditions were nil.
- During the nine months ended 30 June 2014, the Company issued 104,193,055 ordinary shares as part of a settlement of an unsecured loan with a related party. No further issues of ordinary shares have

occurred during the above periods (and thus no corresponding cash injections other than the converting loan for which the issue is yet to be completed at 31 December 2015).

Historical Statement of Profit or Loss and Other Comprehensive Income

	FEL reviewed 6 months to 31 December 2015	FEL audited 12 months to 30 June 2015	FEL audited 9 months to 30 June 2014	FEL audited 12 months to 30 September 2013
Interest revenue	1,243	3,173	20,662	42,522
Other income	50,000	120,000	2,156,947	52,600
	51,243	123,173	2,177,609	95,122
Employee benefits expense	(162,415)	(354,995)	(266,248)	(381,343)
Share based payments expense	(2,393)	(2,451)	-	-
Pre-acquisition transaction costs	(114,549)	-	-	-
Impairment of assets	(37,313)	(802,910)	(597,824)	(983,618)
Brokerage fees	(28,888)	-	-	-
Impairment of available-for-sale financial assets	-	-	(1,000)	(8,000)
Impairment of receivables	-	(2,000)	-	(2,750)
Accounting and audit fees	(10,900)	(56,930)	(89,066)	(86,748)
Legal fees	-	-	(1,063)	-
Consultant costs	(8,000)	(8,000)	(14,141)	(8,947)
Compliance costs	(32,368)	(47,790)	(33,813)	(43,485)
Travel costs	-	(4,236)	(14,803)	(32,792)
Finance costs	-	-	(34,357)	(167,193)
Other expenses	(27,358)	(119,584)	(230,972)	(187,280)
Profit/(loss) from continuing operations before income tax	(372,941)	(1,275,723)	894,322	(1,807,034)
Income tax expense	-	-	-	-
Profit/(loss) from continuing operations after income tax	(372,941)	(1,275,723)	894,322	(1,807,034)
Profit/(loss) from discontinued operations after tax	-	-	47,155	(560,942)
Net profit/(loss) for the year	**(372,941)**	**(1,275,723)**	**941,477**	**(2,367,976)**
Other comprehensive income items that may be reclassified subsequently to profit or loss				
Net fair value loss on available-for-sale financial assets	500	-	(1,000)	(8,000)
Transfer of impairment loss to Profit and Loss	-	-	1,000	8,000
Total comprehensive income/(loss) for the year	**(372,441)**	**(1,275,723)**	**941,477**	**(2,367,976)**

Source: Audit reviewed financial statements for the six months to 31 December 2015 and audited financial statements of FEL for the year ended 30 June 2015, nine months ended 30 June 2014 and year ended 30 September 2013.

Items to note from FEL's historical statement of profit or loss and other comprehensive income:

- Income mainly consists of interest revenue, which has reduced over the three periods in line with reduced cash levels.
- During the nine months to 30 June 2014 the company disposed of tenements and one of its wholly owned subsidiaries resulting in a profit for that period from the gain on sale of both items. During 2015 the Company also sold some tenements, plant and equipment resulting in revenue to the value of $120,000. During the six months to 31 December 2015 gain on sale of tenements amounted to $50,000.
- Employee benefits expense comprises mainly of directors fees. The movement of these expenses is in line with the changing reporting periods. There has been no change to the amount paid to each director on a monthly basis. In addition to director fees there are consulting fees paid to a related company for the services of the Chief Financial Officer. No fees were paid for these services during the twelve months to 30 June 2015.
- Exploration expenditure incurred during each period has steadily decreased and was $254,977 (12 months to 30 September 2013), $61,615 (9 months to 30 June 2014) and $55,692 (12 months to 30 June 2015). Assets sold (or held for sale) during the periods were valued at $32,996 (2013) and $35,111 (2014). Write off of exploration and evaluation assets have varied during the periods: $983,618 (2013), $597,824 (2014) and $790,924 (2015). These assets are now recorded at nil value in the financial statements.
- Travel costs have declined in line with declining value of exploration expenditure incurred.
- At the 30 September 2013 year end, the Company had interest bearing liabilities, which were settled by 30 June 2014. This is in line with the Company's declining finance expenses during the same periods.

Capital Structure of FEL

The share structure of FEL as at 29 February 2016 is outlined below:

The total number of Shares on issue as at 29 February 2016 was 219,714,630, held by 724 registered Shareholders. 393 shareholders hold less than a marketable parcel, based on the market price of a share as at 29 February 2016. Each Share carries one vote per Share without restriction.

The Company does not have any quoted Options on issue. As at the date of this report the Company had 3,850,000 unlisted options on issue. No voting rights are attached to unquoted Options.

A distribution schedule of the number of Shareholders, by size of holding, as at 29 February 2016 is below:

Size of holdings	Number of Shareholders
1 – 1000	58
1,001 – 5,000	172
5,001 – 10,000	139
10,001 – 100,000	257
100,001 and over	98
Total	**724**

As at 29 February 2016, the five largest Shareholders were as shown in the following table and held 72.95% of the Company's shares.

	Legal Holder	Holding	%
1	DEMPSEY RESOURCES PTY LTD	126,871,848	57.74
2	CAULDRON ENERGY LIMITED	22,935,785	10.44
3	MR RUSSELL NEIL CREAGH	4,410,056	2.01
4	MS CONCETTINA SCHIAVELLO	3,200,000	1.46
5	FRED PARRISH INVESTMENTS PTY LTD <PARRISH FAMILY A/C>	2,845,449	1.30
	Total	**160,263,138**	**72.95**

6. PROFILE OF CARDINAL HOUSE GROUP PTY LTD

CHG is an Australian registered company proposing to provide business-to-business (B2B) and business-to-consumer (B2C) online social gambling products and real money gambling platforms. CHG has been awarded three conditional gaming licences from Norfolk Island Gaming Authority, that allow for Interactive Home Gaming, Bookmaking in respect of race meeting and sports betting and conducting Lotteries. The term of the licences is between 8 to 10 years.

CHG has secured access to an exclusive gaming software platform via an agreement entered into with Bet Fun International Ltd (Bet Fun). The platform delivers to CHG software technologies to operate its proposed fully licenced Bingo and proposed online gambling solutions. The Bet Fun technology allows CHG gambling access to multi-level devices such as (but not limited to) mobile/hand-held devices, specialist set-top boxes, PC's, specialist gaming consoles, MacBook, iMac and MacBook Pro.

CHG has also aligned with Gameworkz Inc to provide managed gaming services under an agreement. The Gameworkz agreement is anticipated to facilitate CHG's business plan.

CHG's proposed product range that will be delivered via the platform technology accessed from Bet Fun, which are already fully operational in various international jurisdictions. It is proposed to include bingo initially and in future potentially one or more of:

- Fantasy Football
- Binary options;
- Lotto/Keno;
- Sports betting
- Virtual sports;
- Live streaming casino;
- eSports betting; and
- Social gaming.

Further details are analysed in the Explanatory Statement of the Notice of Meeting.

Information on the Vendors and Proposed New Directors

Graham Martin

Graham Martin is a third generation betting entrepreneur with extensive international gaming experience. Graham Martin founded Bonne Terre Limited, a licensed and regulated sports book in the Channel Islands which company became a wholly owned subsidiary of BskyB Group PLC, operating as Sky Bet. BskyB sold an 80% stake in the business to funds advised by CVC Capital Partners and members of the Sky Bet management team in 2015. This transaction valued Sky Bet at £800 million.

Graham Martin was Chairman of Probability Games Corporation, which was successfully listed on the London AIM in 2006. It was one of the world's market leaders in mobile phone gambling services and technology providers. The Group was eventually bought by GTECH. Graham Martin then founded Scotbet International Limited, a holding company for the betting businesses of Scotbet and Morrisons Bookmakers. This new group comprised the largest Scottish retail betting company. Graham Martin is highly respected in the industry and recognised for his contribution to the establishment of gaming laws within a number of jurisdictions and is considered a pioneer of the online gaming and gambling industry. Graham Martin also advises a number of public and private gaming groups around the world.

Paul Carroll

Paul Carroll has over 22 years of success with B2B and B2C business management, specialising in corporate governance and operational enhancement. Paul Carroll has held senior leadership positions with a number of tier-one organisations operating throughout the world including Europe (specifically the United Kingdom), the Caribbean, various South Atlantic Regions and for the past four years in Australia. Paul Carroll has successfully guided and influenced sustainable business management procedure and group diversification strategies within these roles.

Historical Balance Sheets

	CHG audited 8 July 2015 to 31 December 2015
Cash and cash equivalents	-
Trade and other receivables	153,281
Other assets	4,000
Total current assets	157,281
Total assets	157,281
Trade and other payables	65,758
Total current liabilities	65,758
Total liabilities	65,758
Net assets	**91,523**
Issued Capital	301,000
Accumulated Losses	(209,477)
Total equity	**91,523**

Statement of Profit or Loss and Other Comprehensive Income

	CHG audited 8 July 2015 to 31 December 2015
Consultant fees	(70,913)
Gaming licences	(28,900)
Platform costs	(40,268)
Occupancy expenses	(12,705)
Travel costs	(13,194)
Entertainment expenses	(6,186)
Audit fees	(4,300)
Legal fees	(23,617)
Administrative expenses	(9,394)
Loss before income tax	(209,477)
Income tax expense	-
Loss after income tax	(209,477)
Other comprehensive income/(loss)	-
Total comprehensive loss for the period	**(209,477)**

As the company was only incorporated on 8 July 2015 there is minimal historical financial information to analyse. An initial issue of shares on or around that date raised $1,000 in cash and a subsequent issue of 9,000 shares in December 2015 raised a further $300,000 in cash which is forecast to be used for administration and company set up fees, such as expenses relating to payments to acquire the licences and services for the establishment of the online gaming platform. For the period from incorporation to 31 December 2015 the CHG has made losses due to no income being earned (the company is yet to commence operations) and numerous start-up expenses incurred. As per section 9.2 the net assets position is forecast to be a deficiency of approximately $68,799 by 31 May 2016, the expected completion date of the Proposed Transaction. Should the Proposed Transaction not be completed on or around the expected completion date then these balances may change.

Capital Structure of CHG

As at the date of signing the Deed of Variation and Accession to the Share Sale Agreement on 9 December 2015 CHG's ordinary share capital was held as follows:

Shareholder	Cardinal House Shares Held	%
Graham Martin	5,578	55.78
Paul Carroll	3,394	33.94
Richard Boyd	325	3.25
John Halliley	703	7.03
Total	**10,000**	**100**

7. INDUSTRY ANALYSIS

7.1 ONLINE GAMBLING

The interactive gaming and gambling market represents one of the fastest growing segments of the gambling industry.

Interactive gaming and gambling continues to grow rapidly in terms of its popularity, market share and product offerings due to the widespread usage of computers, tablets and smartphones. Australia has one of the world's highest rates of internet penetration and smartphone usage.

The market for interactive gaming and gambling has emerged from widespread access and usage of the internet, the increasing presence of gaming and gambling websites and applications, and the increased consumer demand for these forms of entertainment delivered online.

The following information has been sourced from australianwageringcouncil.com:

Sportsbetting represented just 3% of Australia's Total Annual Gambling Spend in Australia in 2013/14, with racing accounting for 13.2%. In comparison, 52.2% was spent playing the 'pokies' in clubs and hotels, 20.7% on casino gaming and 10.9% on lotteries, pools and keno. (Source: Australian Gambling Statistics 31st Edition)

An ongoing shift of wagering spend from traditional offline betting channels (i.e. retail or TAB outlets, on-course bookmakers and with bookmakers over the phone) to online channels (internet, mobile, tablet). This trend is in line with consumer spending patterns in other retail sectors such as books, clothing and electronic goods, which have also seen a very high level of online growth.

There is a move of wagering spend from traditional totalisators to corporate bookmakers and the betting exchange, Betfair and in particular, the shift away from pari-mutuel betting (ie, all bets of a particular type are placed together in a pool with approximate odds until bets are no longer accepted) to fixed-odds betting (where the punter knows the exact odds he/she will receive when they place a bet).

Growth of sports wagering in contrast to racing wagering which has seen existing customers substitute betting on racing with betting on sport.

Overall annual growth in wagering turnover has not significantly increased - the past five years has been in line with the growth of the economy, at four to five per cent per annum. Within overall wagering there has been a shift in the channels through which consumers place bets from off-line (on racetracks, in retail TABs and via telephone operators) to online through internets, smart phones and tablets. This trend is no different from the migration to online platforms which is being seen in many other industries such as media, books and recorded music. There has also been a trend of wagering on sports growing at the expense of wagering on racing. (Source: Industry Data)

The incidence of problem gambling is significantly lower for online wagering in comparison to other forms of gambling with the Productivity Commission estimating that 75 - 80% of problem gambling is directly related to the use of poker machines. (Source: Australian Productivity Commission Report on Gambling 2010)

The global online gambling market is expected to grow at a compound annual growth rate of 10.6% during 2014-2018. Large land based operators (LBOs) are offering e-gaming services to complement their retail operations. According to H2 Gambling Capital, the e-gaming sector is expected to constitute 11% of global gaming gross wins by 2018. The growth in e-gaming has complemented and not substituted traditional retail gaming due to the fact that it is a different player profile using e-gaming (new-age customers for online gambling). (sourced from James Stock & Co presentation)

7.2 RESOURCES SECTOR

Low demand, reduced prices and oversupply across many commodities is currently driving a downturn in mining investment in Australia, which some predict still has several years to run. New resources developments are forecast to be scarce initially although significant opportunities to slash costs have been identified in operations, production and maintenance. Meanwhile the timing of new mining investment cycles will continue to vary by commodity and region (sourced from BIS Shrapnel). Further, after a decade-long increase in commodity prices, driven by a combination of economic growth in China, a slow global supply response and the depreciation of the US dollar, global commodity prices are now in a downturn and many of the factors that supported the 'supercycle' are in reverse. Prices for most commodities declined through the first eight months of 2015, principally due to strong growth in mining and refining capacity, moderating world consumption growth and a shift in US monetary policies (Resources and Energy Quarterly Sept 2015 report from Office of the Chief Economist).

FEL's areas of interests include tenements prospective for iron ore, nickel, copper and gold. The iron ore price has recently fallen to below US$40 per tonne (p/t) - its lowest levels since the spot prices first began in May 2009 (businessinsider.com.au). In the early days of 2016 it has recovered to rise as high as US$44 p/t (Miningnews.net), but some forecasts for the 2016-2017 period predict prices staying below US$55 p/t (Financial Review, Sept 2015). This is in stark contrast to the high prices back in 2012-2013 of circa US$150 p/t (macrobusiness.com.au chart). The main drivers of the predicted (and actual) lower prices are due to global oversupply and softening Chinese demand for steel.

The gold price has also been on the decline since 2013. It currently sits around US$1,077 per ounce (p/oz) (Miningnews.net) after being as high as US$1,854 p/oz in September 2011 (goldprice.org). Gold is predicted to fall below the US$1,000 p/oz mark during 2016 and 2017 (longforecast.com).

Base metals copper and nickel have also been declining in recent years. Again this is mainly due to slowing demand from major buyers (eg, China) due to falling economic growth.

In 2016, world GDP growth is forecast to increase marginally to 3.7 per cent, supported by higher growth in advanced economies, particularly the US and European Union. However, stronger world economic growth is unlikely to stimulate a demand-driven recovery in commodity prices. As a result, most commodity prices are forecast to remain below their post-GFC peaks. Any price increases are likely to be the result of a cut in supply, rather than an increase in consumption, as higher cost producers exit the market or curtail production (Resources and Energy Quarterly Sept 2015 report from Office of the Chief Economist).

FEL is an exploration-stage company. Explorers have found it extremely difficult in recent times to secure capital funding for its exploring and evaluating activities. Due to low commodity prices, the demand for investment in mining companies in general (whether in the exploration, development or production phase) has fallen significantly and is unlikely to recover in the near term.

8. BASIS OF EVALUATION

We have referred to RG 111 which provides guidelines in determining whether transactions are fair and reasonable.

The expert should identify the advantages and disadvantages of the proposal to security holders not associated with the transaction.

Fairness

Fairness relates to price, whereas reasonableness includes the consideration of factors other than price.

RG111 notes that an offer is 'fair' if the value of the offer price or consideration received is equal to or greater than the value of the securities the subject of the offer and that this comparison should be made (a) assuming a knowledgeable and willing, but not anxious buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length and (b) assuming 100% ownership of the 'target' irrespective of whether the consideration is scrip or cash.

Reasonableness

RG 111 provides that in deciding whether a proposed transaction is 'reasonable', factors that an expert might consider include:

- the financial situation and solvency of the entity, if the consideration for the financial benefit is cash;
- opportunity costs;
- the alternative options available to the entity and the likelihood of those options occurring;
- the entity's bargaining position;
- whether there is selective treatment of any security holder, particularly the related party;
- any special value of the transaction to the purchaser, such as particular technology or the potential to write off outstanding loans from the target; and
- the liquidity of the market in the entity's securities.

An offer is 'reasonable' if it is fair. An offer may also be reasonable, if despite not being 'fair', there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. Although in this case the Proposed Transaction of CHG is not a takeover offer, we have considered the general principals noted above to determine our opinions on fairness and reasonableness.

Applicability to the Proposed Transaction

In determining whether the Proposed Transaction is fair and reasonable we have addressed the following:

- A comparison of the fair value of a share in FEL on a control basis prior to the Proposed Transaction and the fair value of a share in FEL on a non-control basis immediately following the Proposed Transaction - 'fairness'.
- A comparison of other likely advantages and disadvantages, to the non-associated shareholders, of the Proposed Transaction - 'reasonableness'.

Accepted Valuation Methodologies

RG 111 also notes that it is appropriate for the independent expert to consider various methodologies in forming an opinion as to whether a particular transaction may be considered fair and reasonable. In conducting our assessment, the following techniques, which are commonly used to value a business or shares in a company have been considered:

- Discounted cash flow methodology;
- Capitalisation of future maintainable earnings;
- Net asset value;
- Quoted market price methodology; and
- Comparable market transactions, (recent genuine offers basis).

A summary of each of these methodologies is outlined in Appendix B.

Value of FEL prior to the Proposed Transaction

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of FEL shares, we have chosen to consider the following methodologies:

- Net asset value; and
- Quoted market price methodology.

We have chosen the methodologies for the following reasons:

- We do not have reasonable grounds for the use of forward looking financial information to enable the use of discounted cash flow methodology or capitalisation of future maintainable earnings methodology. FEL does not have a history of operating profits, which can be used to apply the capitalisation of future earnings method, accordingly, it is considered inappropriate to apply this method in valuing FEL.
- FEL made a loss of $372,441 for the six months ended 31 December 2015, $1,275,723 for the year ended 30 June 2015, a loss (before gain on sale of controlled entity) of $1,028,899 for the nine months ended 30 June 2014 and a loss of $2,367,976 for the year ended 30 September 2013.
- A market based assessment is not appropriate in this circumstance - It is possible that a potential take-over bidder for FEL could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of FEL have formed the view that there are unlikely to be any takeover bids made for FEL in the immediate future.
- The quoted market price methodology is relevant to consider as FEL's shares are listed on the ASX. This means there is a regulated and observable market where FEL's shares can be traded. However, in order for the quoted market price methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed as to FEL's activities. We have considered these factors in section 9.1 of our Report.

Value of CHG

The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market. To estimate the fair market value of the shares in CHG we have considered valuation methodologies recommended by ASIC Regulatory Guideline 111 regarding valuation reports of independent experts and common market practices. These are discussed below.

All of the valuation methodologies considered above have significant limitation or restrictions in their application to CHG, particularly as the company was only incorporated on 8 July 2015:

- Discounted cash flow method has not been applied because no reliable prospective financial information is available and the ability to produce positive cash flow and profits over a period of time is still uncertain.
- Capitalisation of future maintainable earnings is not appropriate because CHG is not presently trading. It has obtained three gambling licences and entered into contracts for the online software platform and service agreement but trading will not commence until the Proposed Transaction is completed.
- Net asset value method is limited to audited accounts as at 31 December 2015 which presents just under six months of start-up activity.
- Quoted market price – CHG is an unlisted private company and valuing the shares on a takeover basis and on a market based approach are not relevant. The shareholders in CHG do not have an active market to trade its shares.
- Comparable market transactions – There are no indications that other parties wished to acquire all of the shares in CHG other than FEL.

Given the above limitations we have concluded that the most appropriate method in this circumstance is to value CHG using the net asset value method. This is further discussed in section 9.2.

Value of FEL following the Proposed Transaction

In our assessment of the value of an FEL share following the Proposed Transaction we have chosen to use the net asset value methodology. The following steps were taken in the valuation of FEL following the Proposed Transaction:

- The value of FEL prior to the Proposed Transaction;
- The value of CHG prior to the Proposed Transaction – this is discussed further in section 9.2;
- The cash raised as a result of the capital raising that is a condition precedent to the Proposed Transaction, net of any costs;
- Dilution from the issue of shares to CHG Vendors as Consideration Shares and the issue of shares pursuant to the Capital Raising;
- The assumption that 60,000,000 share options will be issued as part of the Proposed Transactions to various parties.
- Discount for minority interest of 20%

The above method includes the proposed capital raising and assumed exercise of options in our analysis in section 9.3.1. In our assessment of 'fairness' we have excluded the proposed capital raising and assumed exercise of options – refer to section 9.3.2.

9. ASSESSMENT OF FAIRNESS – COMPARISON OF PRICE AND VALUES

9.1 VALUATION OF FEL PRIOR TO THE PROPOSED TRANSACTION

Net asset value

We have set out below an audit reviewed balance sheet (statement of financial position) of FEL as at 31 December 2015, adjusted for:

- the issue of the converting loan shares, repayment of liabilities and receipt of receivables at 31 December 2015;
- incurring estimated administration, due diligence and other costs for the period 1 January to 31 May 2016; and
- a valuation range for the exploration and evaluations assets sourced from a previously prepared external valuation and an internal assessment of likely value performed by the Board of FEL in January 2016;

to show the valuation of FEL prior to the Proposed Transaction.

	Notes	FEL reviewed 31 December 2015 $	FEL reviewed 31 December 2015 adjusted to 31 May 2016 $ Low	FEL reviewed 31 December 2015 adjusted to 31 May 2016 $ Midpoint	FEL reviewed 31 December 2015 adjusted to 31 May 2016 $ High
Cash and cash equivalents	1	386,744	-	-	-
Trade and other receivables		36,060	-	-	-
Capital Rising costs		14,400	-	-	-
Other assets		10,331	10,331	10,331	10,331
Total current assets		447,535	10,331	10,331	10,331
Exploration and evaluation expenditure	2	-	-	650,000	1,300,000
Property, plant and equipment		5,188	4,425	4,425	4,425
Available for sale financial assets		1,250	1,250	1,250	1,250
Total non-current assets		6,438	5,675	655,675	1,305,675
Total assets		453,973	16,006	666,006	1,316,006
Trade and other payables	3	199,596	37,475	37,475	37,475
Total current liabilities		199,596	37,475	37,475	37,475
Total liabilities		199,596	37,475	37,475	37,475
Net assets		**254,377**	**(21,469)**	**628,531**	**1,278,531**
Issued Capital	4	36,251,604	36,683,064	36,683,064	36,683,064
Unissued share capital		431,460	-	-	-
Reserves		1,724,125	1,724,125	1,724,125	1,724,125
Retained earnings		(38,152,812)	(38,428,658)	(37,778,658)	(37,128,658)
Total equity		**254,377**	**(21,469)**	**628,531**	**1,278,531**
Shares on issue			**255,669,629**	**255,669,629**	**255,669,629**
Net asset value per share $			**nil**	**0.0025**	**0.0050**

The net asset (book value) backing per fully paid (pre-acquisition of CHG) ordinary FEL share as at 31 May 2016 based on the audited adjusted pro-forma balance sheet and 255,669,629 ordinary shares on issue after the issue of converting loan shares is within a range of $nil to $0.0050 per share.

Note 1 – Cash and cash equivalents	
As at 31 December 2015	386,744
Payment of liabilities from 31 December 2015	(199,596)
Receipt of receivables from 31 December 2015	36,060
Costs associated with Proposed Transaction	(43,600)
FEL administrative costs paid 1 January to 31 May 2016	(179,608)
Total cash and cash equivalents	-

Note 2 – Exploration and evaluation expenditure	$ Low	$ Midpoint	$ High
As at 31 December 2015	-	-	-
Internally prepared Board assessed value	-	650,000	1,300,000
Total exploration and evaluation expenditure	-	650,000	1,300,000

Note 3 – Trade and other payables	
As at 31 December 2015	199,596
Payment of liabilities from 31 December 2015	(199,596)
FEL administrative costs unpaid 1 July 2015 to 31 May 2016	37,475
Total trade and other payables	37,475

Note 4 – Issued Capital	
As at 31 December 2015	36,251,604
Issue of converting loan shares	431,460
Total issued capital	36,683,064

The auditor of FEL stated at 31 December 2015 that in their opinion their review, which is not an audit, the financial report of FEL gives a true and fair view of the entity's consolidated financial position as at that date. We have accepted the FEL amounts as disclosed for all current and non-current assets except for the carrying value of the Company's interests in its various tenements it holds. Management of FEL have stated that there are currently no agreements to dispose of the retained tenements (though FEL would accept certain offers to sell) and that FEL is not performing any work itself on these tenements. FEL's management stated that the Company's most valuable projects are those that the company holds a minority stake in (ie 20%), but the management and expenditure is responsibility of other JV parties.

The internally prepared Board assessed value concluded that the Company's mining assets could realise approximately $1.3 million. A range between $nil and $1.3 million is not unreasonable given the state of the Company's operations. There is likely to be some value attached to the Company's current assets but not significant value given the Company's lack of activities, depressed commodity markets and minority interests in the projects concerned. The Board assessed value is based on what they would be prepared to accept as consideration for the sale of those assets. For the purposes of its financial reporting the Company has impaired the carrying value of these assets to nil and this is an indicator that the existing projects have limited value and certainly not a significant enough value to justify the carrying value of exploration expenditure previously capitalised.

FEL's management have provided an internal Board assessed value of its mining assets, which has incorporated an independent valuation performed on 19 December 2013 on one aspect of their mining assets and has been updated for current market conditions. We have considered this valuation and whilst there have been no material developments in these projects the market has significantly deteriorated since then. The other areas that the Company has interests in have been given an internally prepared assessment. We consider that the need for an independent technical valuation of exploration assets provides little additional comfort to the internal Board assessed value, as the internally assessed value is not significant and represents the likely commercial transaction pricing for the sale of these assets that the Board would accept. In addition these assets have previously been written down to zero in the Company's financial records. We have therefore accepted the internal Board assessed value for the purposes of this exercise, but note that given the assets have previously been written down to nil in the company's financial records and that the Board has not been able to support the previous carrying value of these assets, that ultimately the existing projects have a limited value likely to be nearer the midpoint of the range indicated above.

The Company is essentially inactive and is looking to exit the mineral exploration industry and sell its remaining exploration projects or interests due to the depressed commodity market and investment appetite for exploration companies. The company has limited cashflow resources to undertake potential exploration programmes and limited opportunity to source new exploration capital. It also has minimal control over future activities and future financial obligations on the bulk of its projects due to its minority interests in these projects. By exiting this market the Company becomes a more attractive proposition for other companies looking to list on the ASX via a reverse takeover. This involves using FEL as a 'shell' for a backdoor listing.

Typically, shell companies carry a value because they allow the other party to a reverse takeover (the reverse acquirer) to gain access to shareholder spread and to avoid some costs of establishing a listed company. Reverse takeovers have gained in popularity over the last 18 months due to an increase in technology based companies transacting with idle resource companies. Transactions for shells can be as low as $500,000 or much higher. Recent transactions are placing values on shells in excess of $1 million, depending on the quality of the shell, spread numbers or existing legacy issues to be resolved prior to any reverse takeover. In our opinion FEL's shell value would be in the range of $500,000 to $1.5 million. This further supports the net asset value of FEL as assessed above.

We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between FEL and other parties. We also note that it is not the intention of the Directors of FEL to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), would be hypothetical. The shareholders, existing and future, must acquire shares in FEL based on the market perceptions of what the market considers an FEL share to be worth.

Quoted market price

To provide a comparison to the valuation of FEL above we have also assessed the quoted market price for an FEL share. The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst CHG will not be obtaining 100% of FEL, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness is considered in section 10.

Share prices in FEL as recorded on the ASX since 1 January 2015 up to and including 27 September 2015 (last trading day before the trading halt was imposed prior to the announcement on 30 September 2015 regarding the proposed acquisition of CHG) have been as follows:

	High $	Low $	Days trading occurred in the month	Volume
January 2015	0.012	0.011	2	193,200
February 2015	0.017	0.011	2	40,000
March 2015	0.015	0.015	1	300,000
April 2015	0.015	0.008	4	144,500
May 2015	0.009	0.006	1	33,000
June 2015	0.013	0.006	6	938,700
July 2015	0.013	0.007	4	1,667,000
August 2015	0.016	0.008	7	1,878,200
September 2015 (to 27th)	0.018	0.013	4	906,200

For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We calculated that 2.5% of the Company's current issued capital was traded in a six month period leading up to 27 September 2015 and do not consider this to be representative of a 'deep' market.

To provide further analysis of the market prices for an FEL share, we have also considered the weighted average market price (VWAP) for 30, 60 and 90 day periods calculated up to 27 September:

Share price per unit	27 Sept 2015	30 days	60 days	90 days
Closing price	$0.018			
Volume weighted average price (VWAP)		$0.016	$0.012	$0.012

Given the variability in share price and the low trading volumes (ie, lack of a 'deep' market) leading up to the announcement of the Proposed Transaction, it is difficult to arrive at a fair value of an FEL share based on the quoted market prices alone, however we have assessed a range of values of FEL shares based on market pricing prior to the Proposed Transaction to be between the range of $0.012 and $0.016.

We have noted that subsequent to the announcement of the acquisition, the shares in FEL have traded on ASX mainly between $0.025 and $0.04 with a last sale on 29 February 2016 of $0.038.

Premium for Control – Assessment of Value for FEL

RG 111 refers to a 'control transaction' as being the acquisition or increase of a controlling stake in a company. The control premium reflects the benefits an acquirer achieves through holding a controlling interest in contrast to a portfolio shareholding.

The benefits of holding a controlling interest and the reasons a company pays a premium for control may include:

- Integration of the acquired entity's business and/or assets with those of the acquirer;
- Ability to control the composition of the board of directors;
- Control over the future direction of the company without the need to consider whether the interests of minority shareholders are prejudiced;
- Ability to group tax losses; and
- Full access to cash flows of the entity.

Premiums are paid for reasons that vary from case to case. In some situations the premium paid may be greater than others due to the extent of synergies or other benefits the acquirer expects to realise.

Under the Corporations Act 2001, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, Mr Graham Martin, one of the Vendors of CHG (and his nominee) could have a relevant interest increase in FEL from nil% to up to approximately 27.7% after the issue of the Consideration Shares and assuming the exercise of Mr Martin's proposed Options. The Vendors of CHG (including any nominees) will collectively control up to 50.4% after the issue of the Consideration Shares and other relevant securities.

It is generally accepted that premiums for control may vary from 20% to 40% or more depending on many different factors including the nature of the business, the financial position of a company, and shareholding percentages. It is our view that a control premium in the range of 20% to 30% is appropriate in this instance.

Applying a control premium to FEL's quoted market share price results in the following quoted market price value including a premium for control:

	Low	Midpoint	High
Quoted market price value	$0.012	$0.014	$0.016
Control premium	20%	25%	30%
Quoted market price valuation including a premium for control	$0.0144	$0.0175	$0.0208

It is noted that at the time of negotiation of the Proposed Transaction, the FEL directors considered the fair market value of an FEL ordinary share was $0.02.

Preferred Valuation method of valuing an FEL share

The results of the valuations performed are summarised in the table below:

	Low $	Midpoint $	High $
Net asset value	nil	0.0025	0.0050
Quoted market price valuation including a premium for control	0.0144	0.0175	0.0208

In assessing the fair value of FEL and an FEL ordinary share prior to the acquisition of CHG we have selected the net assets on a going concern methodology as the preferred methodology. Although the shares of FEL are listed, as there is only moderate trading volumes on the ASX and the share prices in recent times may be affected by the lack of cash resources and lack of exploration activity, we consider the use of market share prices to value the Company for the purposes of this report is not the most appropriate method to use in this instance. We note share prices as a secondary methodology and have considered share prices in assessing the reasonableness of the proposals with the Vendors of CHG.

On the above basis we conclude that the value of an FEL share is considered to be $0.0025 per share based on the net asset value.

We note that the net asset value may not necessarily reflect the fair values in the current economic circumstances of the Company. All values are dependent on the final sale price achieved (and timing of sales proceeds) relating to the Company's mining interests which is why we have considered a range of possible share values.

The future value of an FEL share will depend upon, inter alia:
- The future success of the business of CHG being obtained via the acquisition;
- The successful sale of FEL's mining interests;
- The state of the Australian and overseas stock markets;
- The strength and performance of the Board and management;
- Foreign exchange rates;
- General economic conditions;
- The liquidity of shares in FEL; and
- possible ventures and acquisitions entered into by FEL and CHG.

9.2 VALUATION OF CHG

We have considered the valuation of CHG in assessing whether or not the proposal outlined in Resolution 4 is fair and reasonable for FEL's non-associated shareholders. In forming our opinion on the value of CHG we have:
- considered the stage and development of CHG and the prospective financial information available; and
- considered the appropriateness of the valuation methodologies available.

We have assessed that the most appropriate valuation method of CHG in these circumstances would be the net assets valuation.

Our assessment as to the value of CHG has been made based on the following information:

- CHG is a 'start-up' company (incorporated 8 July 2015);
- The business model, processes and system are unproven in the Australian market;
- CHG is expected to be in a net liability position by the time the Proposed Transaction is completed, with FEL assuming CHG's liabilities and reducing the amount of consideration shares accordingly (based on section 4.2(3) of the Share Sale Agreement);
- These liabilities may be offset by the possible values in the gaming licence and software platform at that date, but this cannot be confirmed or quantified accurately;
- The company currently has no client base;
- No revenue is currently being earned by CHG; and
- The budgets and forecasts provided by management are based on projections and assumptions that cannot be verified or supported.

Below is pro-forma Statement of Financial Position for CHG that has been adjusted from the audited financial statements as at 31 December 2015 to the estimated financial position of CHG as at 31 May 2016, the expected completion date of the Proposed Transaction. This table has been prepared by BCA based on information provided by FEL and adjusted for BCA estimated valuations. Should the Proposed Transaction not be completed on or around the expected completion date then these balances may change.

	Notes	CHG audited 31 December 2015 $	CHG audited adjusted to 31 May 2016 $ Low	CHG audited adjusted to 31 May 2016 $ Midpoint	CHG audited adjusted to 31 May 2016 $ High
Cash and cash equivalents		-	-	-	-
Trade and other receivables		153,281	-	-	-
Other receivables		4,000	4,000	4,000	4,000
Total current assets		157,281	4,000	4,000	4,000
Gaming assets	1	-	126,900	126,900	126,900
Total non-current assets		-	126,900	126,900	126,900
Total assets		157,281	130,900	130,900	130,900
Trade and other payables	2	65,758	199,699	199,699	199,699
Total current liabilities		65,758	199,699	199,699	199,699
Total liabilities		65,758	199,699	199,699	199,699
Net assets		91,523	**(68,799)**	**(68,799)**	**(68,799)**
Issued Capital		301,000	301,000	301,000	301,000
Retained earnings		(209,477)	(369,799)	(369,799)	(369,799)
Total equity		**91,523**	**(68,799)**	**(68,799)**	**(68,799)**
Shares on issue			**10,000**	**10,000**	**10,000**
Net asset value per share $			**nil**	**nil**	**nil**

Based on the foregoing, in our opinion the value of CHG at the present time is $nil.

Note 1 – Gaming assets	$
As at 31 December 2015	-
Gaming assets – cost basis	126,900
Total gaming assets	126,900

We have calculated on a costs incurred basis a value of $126,900 for gaming assets based on the information provided by FEL/CHG in relation to the business set up costs – specifically the gaming licence $28,900, and the platform set up costs of $98,000.

Note 2 – Trade and other payables	$
As at 31 December 2015	65,758
Expenditure incurred on company start up costs	133,941
Total trade and other payables	199,699

This is based on the 'Notice – Share Sale Agreement' provided and signed by the Vendors of CHG that this will be the maximum amount of liabilities incurred up to 31 May 2016, the expected completion date of the Proposed Transaction.

9.3 VALUATION OF FEL FOLLOWING THE PROPOSED TRANSACTION

9.3.1 Valuation of FEL following the Proposed Transaction – including capital raising and exercise of options

We summarise our valuation of an FEL share subsequent to the Proposed Transaction on a net assets basis in the table below.

	Note	Low $	Midpoint $	High $
Net assets of FEL at fair value prior to the Proposed Transaction (including the internal Board assessed value of mining tenements)		(21,469)	628,531	1,278,531
Net liabilities value forecast for CHG	1	(68,799)	(68,799)	(68,799)
Net capital raising	2	1,880,000	1,974,000	2,068,000
Share options exercised proceeds	3	1,950,000	1,950,000	1,950,000
Total post acquisition value		3,739,732	4,483,732	5,227,732
Potential number of ordinary shares on issue on a fully diluted basis	4	679,758,739	683,462,443	687,166,146
Net asset value per share		0.0055	0.0066	0.0076
Minority interest discount	5	17%	20%	23%
Minority value per share		0.0046	0.0053	0.0059

We consider that the minority or non-controlling value of an FEL share following the Proposed Transaction is $0.0053.

We have adjusted the net asset value and shares on issue of FEL for the following:

Note 1
Refer to section 9.2 of this report for valuation of CHG. This is including the maximum liabilities as per 'Notice – Share Sale Agreement' provided and signed by the Vendors of CHG. We consider that it is highly likely that the full amount of liabilities will be reached by the time the Proposed Transaction has occurred.

Note 2
The completion of the capital raising is expected to be the minimum of gross $2 million and other costs of $120,000 and a maximum gross amount of $2.2 million and other costs of $132,000.

Note 3
The exercise of 55,000,000 Class A options issued as part of the Proposed Transactions to various parties, exercisable at $0.032 each on or before 31 May 2018 and 5,000,000 Class B options issued as part of the Proposed Transactions to Mr Graham Martin (or his nominee), exercisable at $0.038 each on or before 31 May 2018 and raising a total of $1.95 million. The share price at 29 February 2016 is $0.038.

Note 4	Low #	Midpoint #	High #
Current number of shares on issue prior to Proposed Transaction	255,669,629	255,669,629	255,669,629
Consideration shares issued to Mr Graham Martin (or his nominee)	161,770,387	161,770,387	161,770,387
Consideration shares issued to other Vendors (or their nominees)	128,244,649	128,244,649	128,244,649
Total Consideration Shares	290,015,036	290,015,036	290,015,036
Capital raising	74,074,074	77,777,778	81,481,481
Options exercised	60,000,000	60,000,000	60,000,000
Total shares on issue post Proposed Transaction	679,758,739	683,462,443	687,166,146

Note 5
The net asset value of an FEL share following the Proposed Transaction is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of that company. Therefore, if the Proposed Transaction is approved, Shareholders will become minority interest shareholders in FEL as CHG will hold a controlling interest, meaning that their individual holding will not be considered significant enough to have an individual influence in the operations and value of the Company. Therefore we have adjusted our valuation of an FEL share following the Proposed Transaction to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula 1 – (1/1+control premium). As discussed in section 9.1, we consider an appropriate control premium for FEL to be in the range of 20% to 30%, giving rise to a minority interest discount in the range of 17% to 23%.

9.3.2 Valuation of FEL following the Proposed Transaction – before capital raising and exercise of options

We have considered the value of an FEL share following the Proposed Transaction but prior to the capital raising and exercise of options so that shareholders can consider the impact of the Proposed Transaction without the influence of a capital raising that could potentially be value accretive.

	Note	Low $	Midpoint $	High $
Net asset value	9.3.1	3,739,732	4,483,732	5,227,732
Cash from capital raising		(1,880,000)	(1,974,000)	(2,068,000)
Cash from options exercised		(1,950,000)	(1,950,000)	(1,950,000)
Net asset value pre-capital raising		(90,268)	559,732	1,209,732
Shares on issue post Proposed Transaction	9.3.1	679,758,739	683,462,443	687,166,146
Shares issued for capital raising		(74,074,074)	(77,777,778)	(81,481,481)
Share issued for exercise of options		(60,000,000)	(60,000,000)	(60,000,000)
Shares on issue pre-capital raising		545,684,665	545,684,665	545,684,665
Net asset value per share		nil	0.0010	0.0022
Minority interest discount		17%	20%	23%
Minority value per share		nil	0.0008	0.0017

We note there is a significant change in value when the capital raising and exercise of options is excluded. The table below shows the comparison:

	Ref	Low $	Midpoint $	High $
Value of an FEL share following the Proposed Transaction including capital raising and exercise of options	9.3.1	0.0046	0.0053	0.0059
Value of an FEL share following the Proposed Transaction excluding capital raising and exercise of options	9.3.2	nil	0.0008	0.0017

The table above shows that the transaction value is significantly lower without the capital raising. However, it is important to note that if the capital raising is undertaken at $0.027, the market is valuing FEL at the capital raising price. As such, although the underlying value including the gaming assets on a cost basis indicates a value of between nil and $0.0017, the market will likely trade at a significant premium to this price. This means that the market will factor in “blue sky”. Whilst this is a common occurrence, we do not believe our valuation should factor in blue sky due to the risks inherent in successfully commercialising CHG's business. Therefore, we have performed our analysis of fairness excluding the impact of the capital raising

9.4 ASSESSING FAIRNESS

In arriving at our conclusion on fairness, we considered whether the transaction is 'fair' by comparing:

	Ref	Low $	Midpoint $	High $
Value of an FEL share prior to the Proposed Transaction – Control basis	9.1	nil	0.0025	0.0050
Value of an FEL share following the Proposed Transaction – Non-control basis and excluding capital raising and exercise of options	9.3.2	nil	0.0008	0.0017

As can be seen in the above table, if the midpoint value is adopted, the value of an FEL share following the Proposed Transaction is less than the value of an FEL share prior to the Proposed Transaction.

Therefore we conclude that the proposal pursuant to Resolution 4 is NOT FAIR.

10. ASSESSMENT OF REASONABLENESS

Likely Advantages and Likely Disadvantages to the Non-Associated shareholders

As part of our assessment of whether the Proposed Transaction is reasonable, we have considered the likely advantages and the likely disadvantages to the non-associated shareholders of FEL, and whether the likely advantages outweigh the likely disadvantages. We have also considered the impact upon FEL shareholders that the Proposed Transaction as a whole will achieve.

As part of our assessment of whether the Proposed Transaction is reasonable, we have also considered the likely impact upon FEL shareholders if the Proposed Transaction does not proceed.

IF THE PROPOSED TRANSACTION PROCEEDS

Likely Advantages

The Proposed Transaction will provide the following likely advantages:

- The proposed capital raising (a condition precedent of the Proposed Transaction) of up to a gross amount of $2.2 million (at $0.027 per share) will increase the Company's net asset position and provide working capital for the Company. If we included the proposed capital raising in our assessment of fairness, the Proposed Transaction would be considered fair. The net assets value of FEL, including the capital raising, is between $0.0046 and $0.0059 as can be seen in section 9.3.1

- There are 55,000,000 Class A options issued as part of the Proposed Transactions to various parties, exercisable at $0.032 each on or before 31 May 2018 and 5,000,000 Class B options issued as part of the Proposed Transactions to Mr Graham Martin (or his nominee), exercisable at $0.038 each on or before 31 May 2018. The share price at 29 February 2016 is $0.038 which means that at least 55 million options are in the money. On the assumption that all options are exercised, this would raise a total of

$1.95 million for the Company, which would provide further working capital for the Company to pursue its business objectives.

- The Proposed Transaction provides an opportunity for the Company to engage in a technology based high growth industry sector encompassing CHG's proposed online social gaming and gambling business.

- With increasing global use of social media and mobile devices, the Company will be exposed to an industry which has potential to grow significantly. As per current economic conditions the mining sector is declining and the technology sector is rapidly increasing.

- Unlike the mining exploration sector, the development and implementation of CHG's technology is less capital intensive, where capital expenditure is only incurred where a contract justifies the expense. This does not mean, however, that the operations of CHG's business are risk free. There is still commercial and regulatory risk in the online gambling industry.

- The Proposed Transaction will also introduce experienced members to the executive team with knowledge in the gaming and gambling industry sector.

- The Proposed Transaction and associated Capital Raising provide the potential for the Company to increase the scale of its activities and market capitalisation which may in turn increase the liquidity and size of the investor pool that may invest in the Company's shares and liquidity.

- The Proposed Transaction will significantly strengthen the FEL balance sheet as well as increasing the net asset backing per FEL share. Refer section 9 for details.

- The Proposed Transaction may provide an opportunity for FEL shareholders to experience growth in the value of their investment.

Likely Disadvantages

The Proposed Transaction will provide the following likely disadvantages:

- The Company's proposed change in the nature and scale of its activities to become an online social gaming and gambling business may be contrary to specific shareholders' objectives and preferred risk profile.

- In order to operate in a licensed gaming and gambling business, CHG will need to comply with a series of very strict regulatory and legal requirements. This may not suit all investors.

- Future outlays of funds from the Company are anticipated to be required for CHG's business.

- There are numerous inherent risks associated with the change in nature of the Company's activities, refer to section 1.10 in the Explanatory Statement in the Notice of Meeting.

- The consideration payable by FEL to the Vendors of CHG (or their nominees) will be satisfied by the issue of FEL shares. This along with additional shares which may be issued to associated shareholders of FEL upon exercising of existing options, will dilute existing shareholders interests in FEL.

Comparison of Likely Advantages with Likely Disadvantages

After taking into account the advantages and disadvantages listed above we are of the opinion that the advantages to the existing shareholders outweigh the disadvantages and thus the Proposed Transaction as detailed in section 4 and Resolution 4 in the Notice of Meeting may be considered to be, on balance, REASONABLE to the existing non-associated shareholders of FEL at the date of this report.

Furthermore, the Proposed Transaction provides the Company with a clear strategic direction as compared with the existing position of shareholders owning shares in a near dormant company with minimal cash and no clear direction within a declining resources sector which currently has a poor economic outlook.

We also note that it is the view of the existing Board of FEL and the two largest shareholders of the Company that the investment in CHG is in the best interests of all shareholders.

IF THE PROPOSED TRANSACTION DOES NOT PROCEED

If the Proposed Transaction does not proceed, the Company would need to pursue other avenues for acquiring a suitable business. The current scale of operations of the existing business are too small for a publicly listed company (with its associated overheads) and the level of activity is significantly reduced with no significant value per share attributed to existing projects.

If the Proposed Transaction is not approved it is highly likely that FEL's share price will decline back to pre-announcement price levels.

We are not aware of any alternative proposal at the date of this report that could realise better value for FEL shareholders.

11. CONCLUSIONS

In our opinion the Proposed Transaction is **NOT FAIR BUT REASONABLE** to the non-associated shareholders of FEL.

Our opinion as to fairness and reasonableness has been determined on the basis of our assessment of all relevant matters and circumstances of the Proposed Transaction.

Our opinion is not only based upon our comparison of the fair value of a share in FEL on a control basis prior to the Proposed Transaction with the fair value of a share in FEL on a non-control basis immediately following the Proposed Transaction, but also after consideration of the overall impact of the Proposed Transaction and the likely advantages and disadvantages to the non-associated shareholders of FEL.

Conclusion Regarding Fairness and Reasonableness

Taking into account the factors summarised above and discussed in further detail in previous sections of our report, we have concluded that the Proposed Transaction is 'not fair but reasonable' and the likely advantages to non-associated FEL shareholders outweigh the likely disadvantages of the Proposed Transaction proceeding.

Our opinion is based on economic, market and other conditions prevailing at the date of our report. These conditions can experience rapid change which can have a significant effect on values over a short period of time. This opinion must be read in conjunction with our detailed comments and scope of our report and the information to be sent to FEL shareholders with the Notice of General Meeting.

12. INDEPENDENCE

Bentleys Corporate Advisory (WA) Pty Ltd is entitled to receive a fee of $22,000 excluding GST and reimbursement of out of pocket expenses. Except for this fee Bentleys Corporate Advisory (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

Prior to accepting this engagement Bentleys Corporate Advisory (WA) Pty Ltd has considered its independence with respect to FEL, CHG and any of their respective associates with reference to RG 112, Independence of Expert's Reports. It is the opinion of Bentleys Corporate Advisory (WA) Pty Ltd that it is independent of FEL, CHG and their respective associates.

Bentleys Corporate Advisory (WA) Pty Ltd and Bentleys (WA) Pty Ltd have not had at the date of this report any relationship which may impair their independence.

We have held discussions with management of FEL regarding the information contained in this report. We did not change the methodology used in our assessment as a result of discussions and our independence has not been impaired in any way.

13. QUALIFICATIONS

Bentleys Corporate Advisory (WA) Pty Ltd is a professional practice company, wholly owned by the Perth practice of Bentleys (WA) Pty Ltd. The firm is part of the National and International network of Bentleys independent firms, and provides a wide range of professional accounting and business advisory services.

Bentleys Corporate Advisory (WA) Pty Ltd holds an Australian Financial Services license to provide financial product advice on securities to retail clients and its principals and owners are suitably professionally qualified, with substantial experience in professional practice.

The director responsible for the signing of this report is Mr Ranko Matic who is a director of Bentleys Corporate Advisory (WA) Pty Ltd and director of Bentleys (WA) Pty Ltd. Mr Matic has over 25 years experience as a Chartered Accountant.

At the date of this report neither Mr Matic nor any member or Director of Bentleys Corporate Advisory (WA) Pty Ltd has any interest in the outcome of the Proposed Transaction.

14. DISCLAIMERS AND CONSENTS

Bentleys Corporate Advisory (WA) Pty Ltd has been requested to prepare this report, to accompany the Notice of General Meeting and Explanatory Statement which will be sent to FEL's shareholders.

Bentleys Corporate Advisory (WA) Pty Ltd consents to this report accompanying the Notice of General Meeting and Explanatory Statement and being referred to in those documents. This report or any reference thereto is not to be included in or attached to any other document, statement or letter without prior consent from Bentleys Corporate Advisory (WA) Pty Ltd.

Bentleys Corporate Advisory (WA) Pty Ltd has not conducted any form of audit or any verification of information provided to us and which we have relied upon in regard to FEL or CHG, however we have no reason to believe that any of the information provided, is false or materially incorrect.

The statements and opinions provided in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

Neither Bentleys Corporate Advisory (WA) Pty Ltd nor Mr Matic take any responsibility for nor have they authorised or caused the issue of any part of this report for any third party other than the shareholders of FEL in the context of the scope and purpose defined in section 3 of this report.

The statements and opinions expressed in this report are given in good faith and with reliance upon information generated both independently and internally and with regard to all of the circumstances pertaining to the Proposed Transaction.

In regard to any projected financial information noted in this report, no member or director of Bentleys Corporate Advisory (WA) Pty Ltd has had any involvement in the preparation of the projected financial information.

Furthermore we do not provide any opinion whatsoever as to any projected financial or other results prepared for FEL or CHG and in particular do not provide any opinion as to whether or not any projected financial results referred to in the report will or will not be achieved.

Yours faithfully

RANKO MATIC CA
Director
Bentleys Corporate Advisory (WA) Pty Ltd

APPENDIX A

FINANCIAL SERVICES GUIDE
Australian Financial Services License No. 277313
2 March 2016

BENTLEYS CORPORATE ADVISORY (WA) PTY LTD ('BCA') ABN 83 108 754 847 ('we' or 'us' or 'ours' as appropriate) has been engaged by Fe Limited ('**FEL**') to provide an independent expert's report on the proposal to acquire 100% of the issued capital of Cardinal House Group Pty Ltd ('**CHG**'). You will be provided with a copy of our report as a retail client because you are a shareholder of FEL.

Financial Services Guide
In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('**FSG**'). This FSG is designed to assist retail clients make a decision as to their use of any general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services License, License No. 277313;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us
Bentleys Corporate Advisory (WA) Pty Ltd is a member firm of the Bentleys network in Australia, a national association of separate entities. Bentleys Australia is a member of Kreston International, a global network of independent accounting firms. The financial product advice in our report is provided by Bentleys Corporate Advisory (WA) Pty Ltd and not by Bentleys or its related entities. Bentleys and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However you should note that we and Bentleys (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licenced to provide
Our Australian financial services licence allows us to carry on a financial services business to provide general financial product advice in relation to securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice
We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits we may receive
We charge fees to produce reports, including this report. These fees are negotiated and agreed with the entity which engages BCA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. The fee payable to BCA for this engagement is $22,000 plus GST.

Except for the fees referred to above, neither BCA nor its directors, employees or related entities receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees
All of our employees receive a salary and do not receive any commissions or other benefits arising directly from services provided to our clients. We have received a fee from FEL for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals
We do not pay commissions or provide other benefits to other parties for referring customers to us in connection with the reports that we are licenced to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, Bentleys Corporate Advisory (WA) Pty Ltd, PO Box 7775, Cloisters Square Perth WA 6850.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS membership number is 12451. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Free call: 1800 367 287 (9am-5pm AEST weekdays)
Fax: 03 9613 6399
Email: info@fos.org.au

Contact details

BCA's address and other contact details are Level 3, 216 St Georges Terrace, Perth WA 6000. Ph: 08 9226 4500. Fx: 08 9226 4300.

APPENDIX B

SOURCES OF INFORMATION

In preparing this report we have had access to the following principal sources of information:

- Annual and Half Year Reports for FEL.
- Publicly available information in relation to share prices for FEL.
- ASX announcements for FEL.
- Information for FEL, including but not limited to internally prepared summary financial reports, management accounts and pro-forma financial statements.
- Information for CHG, including but not limited to audited financial statements as at 31 December 2015, internally prepared forecast financial reports and cash flow budgets.
- Share Sale Agreement together with the Deed of Variation and Accession to the Share Sale Agreement between FEL and the Vendors of CHG.
- Draft Notice of General Meeting of Shareholders for FEL and Explanatory Statement.
- Publically available information relating to the online gambling industry and status of the resources sector.
- Representations made by Directors and Management of FEL.

APPENDIX C

VALUATION METHODOLOGIES

Valuation Methodologies and Approaches
Discounted Cash Flow Method Discounted cash flow methods estimate fair market value by discounting a company's future cash flows to their net present value. These methods are appropriate where a forecast of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.
Capitalisation of Maintainable Earnings Method The capitalisation of maintainable earnings method estimates 'fair market value' or 'enterprise value', by estimating a company's future maintainable earnings and dividing this by a market capitalisation rate. The capitalisation rate represents the return an investor would expect to earn from investing in the company which is commensurate with the individual risks associated with the business. It is appropriate to apply the capitalisation of maintainable earnings method where there is an established and relatively stable level of earnings which is likely to be sustained into the foreseeable future. The measure of earnings will need to be assessed and can include, net profit after taxes, (NPAT), earnings before interest and taxes (EBIT and earnings before interest, taxes, depreciation and amortisation (EBITDA). The capitalisation of maintainable earnings method can also be considered a market based methodology as the appropriate capitalisation rate or 'earnings multiple' is based on evidence of market transactions involving comparable companies. An extension of the capitalisation of maintainable earnings method involves the calculation of share value of an entity. This process involves the calculation of the enterprise value, which is then adjusted for the net tangible assets of the entity.
Orderly Realisation of Assets The orderly realisation of asset method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. **Liquidation of assets** - The Liquidation method is similar to the orderly realisation of asset method except the liquidation method assumes the assets are sold in a shorter time frame. **Net asset value** – The net assets method is based on the value of the assets of a business less certain liabilities at book values, adjusted to a market value. The asset based approach, as a general rule, ignores the possibility that a company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements, and goodwill. The asset based approach is most appropriate when companies are not profitable, a significant proportion of assets are liquid, or for asset holding companies. **Cost Based Approach** - The cost based approach involves determining the fair market value of an asset by deducting the accumulated depreciation from the asset's replacement cost at current prices. Like the asset based approach, the cost based approach has a number of disadvantages, primarily that the cost of an asset does not necessarily reflect the assets ability to generate income. Accordingly this approach is only useful in limited circumstances, usually associated with intangible asset valuation.

Quoted Market Price Methodology The method relies on the pricing benchmarks set by sale and purchase transactions in a fully informed market the ASX which is subject to continuous disclosure rules aimed at providing that market with the necessary information to make informed decisions to buy or to sell. Consequently, this approach provides a 'fair price', independently determined by a real market. However the question of a fair price for a particular transaction requires an assessment in the context of that transaction taken as a whole. In taking a quoted market price based assessment of the consideration to both parties to the proposed transaction, the overall reasonableness and benefits to the non participating shareholders must be carefully evaluated.
Comparable Market Based Approach The market based approach estimates a company's fair market value by considering the market prices of transactions in its shares or the market value of comparable companies. This includes, consideration of any recent genuine offers received by the target for an entire entity's business, or any business units or asset as a basis for the valuation of those business units or assets

GLOSSARY

In this report, unless the context requires otherwise:

Term	Meaning
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange or ASX Limited ACN 008 624 691
BCA	Bentleys Corporate Advisory (WA) Pty Ltd, ABN 83 108 754 847
Business Day	has the meaning given in the Listing Rules
CHG	Cardinal House Group Pty Ltd, ACN 606 958 123
Director	a director of FEL
FEL	Fe Limited, ACN 112 731 638
Income Tax Assessment Act	the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997
Listing Rules	the official listing rules of ASX and includes the business rules of ASX
Option	an option to subscribe for FEL Shares
Register	the register of members of FEL shareholders or option holders, as the case requires
The Proposed Transaction	The proposed acquisition of shares in CHG for consideration comprising the issue of up to 300,000,000 FEL shares, the issue of up to 15,000,000 FEL shares upon exercise of FEL options proposed to be issued to Messrs Martin (or his nominee) and Carroll (or his nominee), as proposed directors, and the separate issue of 8,333,333 FEL shares to John Halliley (a Vendor of CHG or his nominee) on conversion of converting loans in FEL, owed to Momentum North (as defined in the Notice of General Meeting), under the Notice of General Meeting.
The Vendors	Shareholders of CHG, who are selling their shares in CHG to FEL
VWAP	the volume weighted average share price of a Fe Limited share in Australian dollars

SCHEDULE 2 – TERMS OF THE DIRECTOR AND EMPLOYEE INCENTIVE PLAN

NORTON ROSE FULBRIGHT

Director and Employee Incentive Plan

Fe Limited
ABN 31 112 731 638
(**Company**)

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Our ref: 2831728

Contents

1 Definitions and interpretation

1.1 Definitions

In these Rules, unless the contrary intention appears:

(1) **Applicable Law** means one or more, as the context requires of:

(a) the Corporations Act;

(b) the Corporations Regulations;

(c) the ASX Listing Rules;

(d) the ASX Settlement Operating Rules;

(e) the Tax Act;

(f) the Tax Administration Act;

(g) any other applicable practice note, policy statement, class order, declaration, guideline, policy, procedure, ruling or guidance note made to clarify or expand any of (a) to (f) above; and

(h) the Constitution;

(2) **Application Form** means the form that the Board determines is to be used by an Eligible Person (or their Nominee) to make an offer to participate under the Plan;

(3) **Associate** has the meaning given in the Corporations Act for the purpose of Chapter 6 of the Corporations Act;

(4) **Associated Body Corporate** means:

(a) a body corporate that is a Related Body Corporate of the Company; or

(b) a body corporate that has voting power in the Company of not less than 20%; or

(c) a body corporate in which the Company has voting power of not less than 20%;

(5) **ASX** means ASX Limited ACN 008 624 691 or a market conducted by it (as the context requires);

(6) **ASX Settlement Operating Rules** means the operating rules of ASX Settlement Pty Limited ACN 008 504 532;

(7) **Board** means all or some of the Directors of the Company acting as a board or, where appropriate, a committee of the board;

(8) **Bonus Issue** has the meaning given to that term in the ASX Listing Rules;

(9) **Business Day** has the meaning given to that term in the ASX Listing Rules;

(10) **Change of Control Event** means any of the following:

(a) the acquisition by any person, either alone or together with an Associate, of a relevant interest (as defined in the Corporations Act) in more than 50% of the issued shares in the Company;

(b) a person (alone or together with its Associates) becoming entitled to sufficient shares in the Company to give it or them the ability, and that ability is successfully exercised, in a general meeting, to replace all or a majority of the directors of the Company;

(c) the acquisition by any person, either alone or together with an Associate, of all or a substantial portion of the assets of the Company; or

(d) such other event as the Board considers, acting reasonably, to be a Change of Control Event;

(11) **Constitution** means the Company's constitution;

(12) **Corporations Act** means the *Corporations Act 2001* (Cth);

(13) **Corporations Regulations** means any and all regulations made under the Corporations Act;

(14) **Date of Grant** means, with respect to an Option, the date on which the Company issues the Option to an Eligible Person or their Nominee;

(15) **Director** means a person holding the office of director;

(16) **Dispose** in respect of an Option or an interest in an Option, includes to sell, assign, transfer or otherwise deal with, or grant a Security Interest over or otherwise encumber;

(17) **Eligible Person** means:

(a) a full or part time employee of a Group Company (including an executive Director of a Group Company);

(b) a non-executive Director of a Group Company;

(c) a contractor (including, without limitation, a consultant) of a Group Company who is:

(i) an individual with whom the Group Company has entered into a contract for the provision of services under which the individual performs work for the Group Company; or

(ii) a company with whom the Group Company has entered into a contract for the provision of services under which an individual, who is a director of the company or their spouse, performs work for the Group Company,

where the individual who performs the work under or in relation to the contract is, or might reasonably be expected to be, engaged to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full-time position with the Group Company;

(d) a casual employee of a Group Company who is, or might reasonably be expected to be, engaged to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full-time position with the Group Company; or

(e) a Prospective Participant,

who is selected by the Board to participate in the Plan;

(18) **Exercise Period** with respect to an Option means, unless otherwise specified in the Specific Terms, the period commencing on the later of the Date of Grant of the Option and when all Vesting Conditions applicable to that Option (if any) are all satisfied and ending on the Expiry Date;

(19) **Exercise Price** means the subscription price per Option Share payable by the holder of an Option on the exercise of the Option as determined by the Board, but subject to any adjustments under Rules 11.3 and 11.4;

(20) **Expiry Date** with respect to an Option means the date and time on which the Option expires and automatically lapses, if not previously validly exercised, in accordance with the terms of the Option;

(21) **Group** means all Group Companies;

(22) **Group Company** means the Company or an Associated Body Corporate and **Group Companies** means the Company and all Associated Bodies Corporate;

(23) **Holding Lock** has the meaning given to that term in the ASX Listing Rules;

(24) **Leaves** means a person ceases to be employed by or engaged as a contractor to a Group Company or ceases to hold office with a Group Company but a person will not Leave a Group Company if at the same time as he or she ceases to be employed or contracted by a Group Company or ceases to hold office with a Group Company, that person commences or continues employment or contracting with another Group Company or is appointed to office or continues in an existing office held with another Group Company;

(25) **Legal Personal Representative** means the executor of the will or an administrator of the estate of a deceased person, the trustee of the estate of a person under a legal disability or a person who holds an enduring power of attorney granted by another person;

(26) **Nominee** means:

(a) an immediate family member of the Eligible Person;

(b) a company whose members comprise no persons other than the Eligible Person or immediate family members of the Eligible Person; or

(c) a corporate trustee of a self-managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act 1993* (Cth)), where the Eligible Person is a director of the trustee,

acceptable to the Board under Rule 5.10;

(27) **Notice of Exercise** means a duly completed notice of exercise of an Option by a Participant, in the form approved by the Board from time to time;

(28) **Offer Document** has the meaning given in Rule 5.2;

(29) **Official Quotation** means official quotation by ASX;

(30) **Option** means an option issued under the Plan to a Participant to subscribe for an Option Share on payment of the Exercise Price and otherwise on the terms and conditions set out in the Offer Document for the Option;

(31) **Option Share** means a Share issued as a result of the exercise by a Participant of an Option;

(32) **Participant** means a person who holds Options issued under the Plan or Option Shares and includes any Nominee and, if after becoming a Participant, that Participant dies or becomes subject to a legal disability, the Legal Personal Representative of the Participant;

(33) **Personal Information** means, for the purpose of Rule 23, information or an opinion about an Eligible Person or a Participant (or a person who is reasonably identifiable as an Eligible Person or a Participant):

(a) whether the information or opinion is true or not; and

(b) whether the information or opinion is recorded in a material form or not;

(34) **Plan** means the Company's Director and Employee Incentive Plan governed by these Rules;

(35) **Pro Rata Issue** has the meaning given to that term in the ASX Listing Rules;

(36) **Prospective Participant** means a person for whom the Company's offer to issue that person Options under these Rules remains entirely conditional and does not take effect until the person falls within one of paragraphs (a) to (d) in the definition of 'Eligible Person' defined in this Rule 1.1;

(37) **Purpose** means, in relation to the collection of Personal Information as contemplated by Rule 23, the facilitation of the operation and the administration of the Plan and compliance with Applicable Laws;

(38) **Redundancy** means the Relevant Person Leaves due to a determination that the need to employ or otherwise engage a person for the particular kind of work carried out by that Relevant Person has ceased (but, for the avoidance of any doubt, does not include the dismissal or termination of any Relevant Person for personal or disciplinary reasons or where the Relevant Person Leaves of his or her own accord);

(39) **Related Body Corporate** and **Subsidiary** each has the meaning given in section 9 of the Corporations Act;

(40) **Relevant Person** means:

(a) in respect of an Eligible Person, that person; and

(b) in respect of a Nominee of an Eligible Person, that Eligible Person,

and, if an Eligible Person dies or becomes subject to a legal disability, the Legal Personal Representative of the Eligible Person;

(41) **Rules** means this document, including any annexure to it;

(42) **Securities Trading Policy** means the Company's trading policy with respect to securities in the Company (as modified from time to time);

(43) **Security Interest** means an interest or power:

(a) reserved in or over an interest in any asset including any retention of title; or

(b) created or otherwise arising in or over any interest in any asset under a security agreement, a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of, or having similar commercial effect to, security for the payment of a debt, any other monetary obligation or the performance of any other obligation, and includes, but is not limited to:

(c) any agreement to grant or create any of the above; and

(d) a security interest within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth);

(44) **Share** means a fully paid ordinary share in the capital of the Company;

(45) **Shareholder** means a holder of a Share or Shares;

(46) **Special Circumstance** means with respect to a Relevant Person:

(a) Total and Permanent Disablement;

(b) death; or

(c) Redundancy;

(47) **Specific Terms** means, in relation to an invitation to participate under the Plan, the specific terms and conditions of the invitation;

(48) **Tax** includes any tax (direct or indirect), levy, impost, GST, deduction, charge, rate, contribution, duty or withholding which is assessed (or deemed to be assessed), levied, imposed or made by any government or any governmental, semi-governmental or judicial entity or authority together with any interest, penalty, fine, charge, fee or other amount assessed (or deemed to be assessed), levied, imposed or made on or in respect of any or all of the foregoing;

(49) **Tax Act** means the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth) or both, as the context requires;

(50) **Tax Administration Act** means the *Taxation Administration Act 1953* (Cth);

(51) **Total and Permanent Disablement** means that the Relevant Person has, in the opinion of the Board (such opinion to be reasonably held), after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Relevant Person unlikely to be able to engage in the Relevant Person's previous occupation with the Group or a substantially similar occupation with the Group;

(52) **Vested Option** means an Option that has vested, has not been exercised and has not lapsed; and

(53) **Vesting Conditions** has the meaning given in Rule 6.1.

1.2 Interpretation

In these Rules, unless the context otherwise requires:

(1) the meaning of any general language is not restricted by any accompanying example, and the words "includes", "including", "such as", "for example" or similar words are not words of limitation;

(2) headings are for convenience only and do not affect the interpretation of these Rules;

(3) reference to any legislation or a provision of any legislation includes a modification or re-enactment of the legislation or a legislative provision substituted for, and all legislation and statutory instruments and regulations issued under, the legislation;

(4) words denoting the singular include the plural and vice versa;

(5) words denoting a gender include the other genders;

(6) reference to any document or agreement includes reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;

(7) where any word or phrase is given a defined meaning in these Rules, any part of speech or other grammatical form of that word or phrase has a corresponding meaning;

(8) reference to a rule or paragraph is a reference to a rule or paragraph of these Rules, as amended from time to time;

(9) a reference to the Constitution includes a reference to any provision having substantially the same effect which is substituted for or replaces the Constitution;

(10) reference to time is a reference to the time in Perth, Western Australia; and

(11) where an act or thing must be done on a particular day or within a particular period, that act or thing must be done before, and that period ends at, 5.00pm on the relevant day.

1.3 Primary instruments

These Rules are to be interpreted subject to the Applicable Laws.

2 The Plan

The purpose of the Plan is to provide Eligible Persons with an opportunity to share in the value of the Shares and to encourage them to improve the performance of the Group and its return to Shareholders. It is intended that the Plan will enable the Group to retain and attract skilled and experienced personnel and provide them with the motivation to make the Group more successful.

3 Principal conditions

3.1 Recipients of Options

(1) No Options may be issued to a person under the Plan except to Eligible Persons as at the Date of Grant and/or their Nominees (if any).

(2) A Prospective Participant (and their Nominees (if any)) must not be issued with Options under the Plan before that Prospective Participant falls within one of paragraphs (a) to (d) in the definition of 'Eligible Person' in Rule 1.1.

3.2 Compliance with laws

No Option may be issued to an Eligible Person or their Nominee or exercised by a Participant if to do so would contravene an Applicable Law (including, for the avoidance of doubt, the ASX Listing Rules).

4 Operation of the Plan

The Plan operates according to these Rules which bind each Group Company, each Relevant Person and each Participant.

5 Issue of Options

5.1 Board may determine issue

Subject to these Rules, the Board may from time to time determine that the Company will offer Options to an Eligible Person or their Nominee.

5.2 Form of invitation

The Board must give to each Eligible Person invited to participate under the Plan (and any Nominee) an Application Form to complete and return to the Company, together with a document setting out the terms on which the invitation is made (**Offer Document**). The Offer Document must include the following information, which will be determined by the Board, subject to Applicable Law:

(1) either:

  (a) the number of Options to which the invitation relates; or

  (b) the basis on which the number of Options to which the invitation relates is to be determined;

(2) either:

  (a) the Exercise Price; or

  (b) the basis on which the Exercise Price is to be determined;

(3) the Vesting Conditions attaching to the Options, if any;

(4) details of any voluntary Holding Lock which will apply to the Options and Option Shares under Rule 10.3 and, if so, the period during which that Holding Lock will apply; and

(5) any other terms and conditions relating to the grant of the Options or the delivery of any Option Shares,

and the following documents:

(6) a summary or a copy of these Rules; and

(7) any other information or documents that the Applicable Laws require the Company to give to the Eligible Person.

5.3 **Offer and acceptance**

By completing and returning the Application Form given to an Eligible Person under Rule 5.2, the Eligible Person (or their Nominee) offers to participate under the Plan and, on acceptance by the Board of the offer, a contract is formed between the Company and the Eligible Person (and their Nominee, if any) on the terms and conditions of:

(1) these Rules; and

(2) the Specific Terms.

5.4 **Becoming a Participant**

On the issue of an Option to an Eligible Person (or their Nominee), the Eligible Person (or that Nominee) becomes a Participant.

5.5 **Consideration for Options**

An Option will be issued for consideration comprising the services that have been or are expected to be provided by a Relevant Person to or for the benefit of the Group, but no further monetary or other consideration will be payable in respect of the issue of an Option.

5.6 **Entitlement to underlying Option Shares**

Subject to these Rules (including, without limitation, Rules 6, 7, 8 and 11) and the Specific Terms, each Option confers on its holder the entitlement to subscribe for and be issued one Option Share at the Exercise Price.

5.7 **Quotation of Options**

The Company will not apply for Official Quotation of any Options.

5.8 **Interest in Shares**

A Participant has no interest in an Option Share the subject of an Option held by the Participant unless and until the Option Share is issued to that Participant under these Rules. An Option does not give a Participant any right to speak or vote at any general meeting of the Company, any right to receive a dividend or participate in any capital return.

5.9 **Personal offer**

Subject to Rule 5.10, an invitation to make an offer using an Application Form is personal and is not assignable.

5.10 Renunciation

(1) Upon receipt of an Offer Document, an Eligible Person may, by notice to the Board, nominate a Nominee of the Eligible Person in whose favour the Eligible Person wishes to renounce the invitation to make an offer using an Application Form.

(2) The Board may, in its discretion, resolve not to allow a renunciation of an invitation in an Offer Document in favour of a Nominee without giving any reason for that decision.

(3) If the Board resolves to allow a renunciation of an invitation in an Offer Document in favour of a Nominee, the Eligible Person will procure that the Nominee submits the Application Form to the Company in relation to the Offer Document sent to that Eligible Person. Both the Eligible Person and the Nominee agree to be bound by these Rules.

5.11 Time Period

An Eligible Person (or their Nominee) may only make an offer with an Application Form within the time period specified in the Offer Document or as otherwise permitted by the Board (subject to Applicable Laws).

6 Vesting of Options

6.1 Vesting

An Option issued under this Plan may, at the Board's discretion, be subject to Specific Terms requiring one or more vesting conditions and/or performance conditions or hurdles to be satisfied before the Option lapses, or requiring one or more circumstances to exist before the Option lapses, as preconditions to the Option vesting and being exercisable (together the **Vesting Conditions**).

6.2 Change of Control Events

(1) The Specific Terms may, at the Board's discretion, provide that if one or more Change of Control Events occur before the lapse of Options held by a Participant, the Board may, at its discretion:

(a) bring forward the vesting of all Options held by that Participant to a date determined by the Board; and/or

(b) waive or vary any one or more Vesting Condition in regard to any Options held by that Participant,

and, for the avoidance of doubt, Specific Terms may provide for none, part or all of these discretions to apply to particular Options and for the bringing forward, waiving or variation of one or more Vesting Conditions to be conditional or unconditional, at the Board's discretion.

(2) If the Board determines to bring forward the vesting of an Option and/or waive or vary the Vesting Conditions under Rule 6.2(1), the Company must within 14 days of the determination give notice to each Participant affected by the a Change of Control Event in respect of the Options held by the Participant.

6.3 Waiver of Vesting Conditions

Subject to Applicable Laws, the Specific Terms may, at the Board's discretion, give the Board a further discretion to waive or vary, by notice to the Participant, any Vesting Conditions in regard to any Option at any time.

7 Exercise of Options

7.1 **Exercise of Options**

Subject to these Rules and the terms on which an Option is issued, an Option is only exercisable by the Participant giving to the Company during the Exercise Period for that Option (provided the Option hasn't lapsed before exercise):

(1) a Notice of Exercise completed by the Participant; and

(2) payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company, in the amount being the product of the number of Options then being exercised by the Participant multiplied by the Exercise Price.

The Notice of Exercise is only effective (and only becomes effective) when any electronic funds transfer in payment of the Exercise Price has deposited cleared funds in the Company's bank account or the cleared funds have otherwise been received by the Company using a payment method acceptable to the Board.

7.2 **Issue of Option Shares**

Subject to these Rules, within 15 Business Days after the Notice of Exercise referred to in Rule 7.1(1) becomes effective (or such later time as permitted by a waiver or modification of the ASX Listing Rules), the Company must issue to the Participant the number of Option Shares specified in the Notice of Exercise.

7.3 **Exercise all or some Options**

(1) A Participant may exercise all or some of the Options able to be exercised under Rule 7 by him or her at that time and if exercised in part, at least 1,000 Options (or such other amount as specified by the Board in the Specific Terms) must be exercised on each occasion.

(2) The exercise by a Participant of only some of the Options held by the Participant does not affect the Participant's right to exercise, subject to the prior satisfaction of all applicable Vesting Conditions (if any), at a later date in accordance with these Rules other Options held by the Participant (whether those other Options have the same Exercise Period or otherwise).

7.4 **Quotation of Option Shares**

If admitted to the official list of ASX at the time, subject to compliance with any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws, application will be made by the Company to ASX for quotation of the Option Shares issued as a result of the exercise of the Options.

7.5 **Option Shares rank equally**

Subject to any restrictions imposed under Rule 10, all Option Shares issued on the exercise of Options granted under this Plan rank equally from the issue of the Option Shares with the then issued Shares of the Company.

8 Lapse of Options

8.1 Lapse of Vested Options

Unless otherwise specified in the Offer Document or, subject to Applicable Laws, determined otherwise by the Board, a Vested Option lapses, and all rights in respect of that Vested Option will be lost, on the Expiry Date.

Alternatively, the Board may determine prior to the Date of Grant (but is not obliged to do so) that the Specific Terms in the Offer Document specify that a Vested Option lapses and all rights in respect of that Vested Option will be lost on the earlier of:

(1) the Expiry Date;

(2) a determination of the Board that the Option should lapse because the Participant or the Eligible Person who nominated the Participant (under Rule 5.10), in the Board's opinion:

(a) has been dismissed or removed from office for a reason which entitles a Group Company to dismiss the Participant, or the Eligible Person who nominated the Participant, without notice;

(b) has committed an act of fraud, defalcation or gross misconduct in relation to the affairs of a Group Company (whether or not charged with an offence); or

(c) has done an act which brings the Group or any Group Company into disrepute; and

(3) the date to be determined by the Board, being a date when or after the Relevant Person Leaves (other than due to the occurrence of a Special Circumstance) but which date must not be more than six months after the Relevant Person Leaves.

8.2 Lapse of unvested Options

Unless otherwise specified in the Offer Document or, subject to Applicable Laws, determined otherwise by the Board, an Option for which all applicable Vesting Conditions are not satisfied lapses, and all rights in respect of that Option will be lost, on the Expiry Date.

Alternatively, the Board may determine prior to the Date of Grant (but is not obliged to do so) that the Specific Terms in the Offer Document specify that an Option for which all applicable Vesting Conditions are not satisfied lapses and all rights in respect of that Option will be lost on the earlier of:

(1) the Expiry Date;

(2) the date on which any Vesting Condition is unable to be met;

(3) a determination of the Board that the Option should lapse because the Participant or the Eligible Person who nominated the Participant (under Rule 5.10), in the Board's opinion:

(a) has been dismissed or removed from office for a reason which entitles a Group Company to dismiss the Participant, or the Eligible Person who nominated the Participant, without notice;

(b) has committed an act of fraud, defalcation or gross misconduct in relation to the affairs of any Group Company (whether or not charged with an offence); or

(c) has done an act which brings the Group or any Group Company into disrepute; and

(4) the time that the Relevant Person Leaves.

9 Dealings with Options

9.1 Options personal

Except where an Option is transferred under Rule 9.3, an Option held by a Participant is personal to the Participant and may not be transferred to or be exercised by another person.

9.2 No unauthorised disposal

Except as permitted under Rule 9.3, a Participant must not Dispose of an Option, and any Disposal or resulting Security Interest will not be recognised in any manner by the Company.

9.3 Permitted transfer of Options

Subject to Rule 10.3 (if applicable) and any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws, a Vested Option (or an unlapsed Option not subject to any Vesting Condition at all, for example due to the operation of Rule 6) may be transferred, by an instrument of transfer, in the following circumstances only:

(1) a transfer constituting the necessary transfer documents following an acceptance of an offer made under an off-market bid relating to Options;

(2) a transfer to a bidder on the sale of the Options under Division 3 of Part 6A.1 of the Corporations Act;

(3) a transfer to a 100% holder on the sale of the Options under Division 2 of Part 6A.2 of the Corporations Act;

(4) a transfer under Part 6A.3 of the Corporations Act to a person entitled to acquire the Options under section 661A or 664A of the Corporations Act;

(5) a transfer under a creditors' scheme of arrangement relating to the Options under section 411 of the Corporations Act; or

(6) a transfer approved by the Board in those circumstances as may be determined by the Board.

10 Dealings with Option Shares

10.1 Securities Trading Policy

Each Participant must comply with the Securities Trading Policy at all times, including for Option Shares issued under Rule 7.2.

10.2 Restriction Agreement

Each Relevant Person and Participant agrees to sign and comply with any restriction agreement (and to procure its controllers to do the same) when required by the ASX or the ASX Listing Rules.

10.3 Voluntary Holding Lock

(1) The Board may at its discretion, when making an offer of Options to an Eligible Person under Rule 5 (or their Nominee), specify that a Holding Lock will be applied to the Options and the Option Shares issued on exercise of those Options for any period of time (**Holding Lock Period**). By submitting an Application Form, the Eligible Person (or their Nominee) voluntarily agrees to that Holding Lock Period.

(2) If a Holding Lock applies to the Options and the Option Shares:

(a) for the duration of the Holding Lock Period:

(i) Options and Option Shares issued under the Plan will not be transferable or assignable; and

(ii) Participants must not encumber the Options or Option Shares by creating any Security Interest (other than a Security Interest in favour of the Company); and

(b) during the Holding Lock Period, each Participant:

(i) agrees that the Options and Option Shares issued under these Rules will be subject to a Holding Lock; and

(ii) undertakes not to request (or permit or procure another person to request) removal of the Holding Lock,

unless otherwise permitted by the Board.

(3) The Company may implement any procedure it considers appropriate to restrict the Participant from dealing with the Options and Option Shares while the Holding Lock is in place.

11 Participation rights, Bonus Issues, Pro Rata Issues, reorganisations of capital and winding up

11.1 New issues

There are no participation rights or entitlements inherent in the Options and they do not entitle the holder to participate in new issues of capital during the currency of the Options without exercising the Options. Subject to the ASX Listing Rules, a Participant is only entitled to participate (in respect of Options granted under the Plan) in a new issue of Shares to existing Shareholders generally if the Participant has validly exercised his or her Options within the relevant Exercise Period and become a holder of the resulting Option Shares prior to the relevant record date, and is then only entitled to participate in relation to Shares of which the Participant is the registered holder.

11.2 Bonus Issues

Subject to the ASX Listing Rules, if there is a Bonus Issue to the Shareholders (not being an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment), the number of Option Shares over which an Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the Bonus Issue.

11.3 Pro Rata Issues

Subject to the ASX Listing Rules, In the event the Company proceeds with a Pro Rata Issue (except a Bonus Issue) of securities to Shareholders after the issue of the Options, the Exercise Price of those Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

11.4 Reconstructions

If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

11.5 Fractions of Shares

For the purposes of this Rule 11, if Options are exercised simultaneously, then the Participant may aggregate the number of Shares or fractions of Shares for which the Participant is entitled to subscribe. Fractions in the aggregate number only will be disregarded (or rounded up if so determined by the Company) in determining the total entitlement of a Participant.

11.6 Calculations and adjustments

Any calculations or adjustments which are required to be made under this Rule 11 will be made by the Board and, in the absence of manifest error, are final and conclusive and binding on the Company and the Participant.

12 Administration of the Plan

12.1 Administration

The Plan is administered by the Board. The decision of the Board as to the interpretation, effect or application of the Rules will be final.

12.2 Powers of the Board

The Board has power to:

(1) determine appropriate procedures and make regulations for the administration of the Plan which are consistent with these Rules;

(2) resolve conclusively all questions of fact or interpretation arising in connection with the Plan;

(3) terminate or suspend the operation of the Plan at any time, provided that the termination or suspension does not adversely affect or prejudice the rights of Participants holding Options at that time;

(4) delegate those functions and powers it considers appropriate, for the efficient administration of the Plan, to any person or persons whom the Board reasonably believes to be capable of performing those functions and exercising those powers;

(5) take and rely upon independent professional or expert advice in or in relation to the exercise of any of the Board's powers or discretions under these Rules;

(6) administer the Plan in accordance with these Rules as and to the extent provided in these Rules; and

(7) make regulations for the operation of the Plan consistent with these Rules.

12.3 Exercise of powers or discretion

Any power or discretion which is conferred on the Board by these Rules may be exercised by the Board in the interests or for the benefit of the Company, and the Board is not, in exercising that power or discretion, under any fiduciary or other obligation to another person.

12.4 Determinations

Where these Rules provide for a determination, decision, approval or opinion of the Board, that determination, decision, approval or opinion may be made or given by the Board (as applicable) in its absolute discretion.

12.5 **Expenses and costs**

Subject to these Rules, the Company and its Subsidiaries must pay all expenses, costs and charges incurred in the administration of the Plan in the amounts and proportions as they shall agree.

12.6 **Tax**

No Group Company or the Board or any adviser to a Group Company is liable for any Tax which may become payable by a Relevant Person or Participant in the Plan and none of them represent or warrant that any person will gain any taxation advantage by participating in the Plan.

12.7 **Tax Deferral**

This scheme is a scheme to which Subdivision 83A-C of the *Income Tax Assessment Act 1997* applies (subject to the conditions in that Act).

13 Amendment to Rules

13.1 **Amendment**

Subject to Rules 13.2 and 13.3, the Company may at any time by written instrument or by resolution of the Board, amend all or any of the provisions of these Rules (including this Rule 13).

13.2 **Accrued Rights**

No amendment of the provisions of these Rules may reduce the accrued rights of any Participant in respect of Options issued under the Plan prior to the date of the amendment, other than:

(1) an amendment introduced primarily:

  (a) for the purpose of complying with or conforming to present or future State, Territory or Commonwealth legal requirements governing or regulating the maintenance or operation of the Plan or like plans;

  (b) to correct any manifest error or mistake;

  (c) to enable amounts paid by the Company in respect of the Plan to qualify as income tax deductions;

  (d) to enable the Participant or the Company to reduce the amount of fringe benefits tax under the *Fringe Benefits Tax Assessment Act 1986*, the amount of tax under the Tax Act or the amount of any other tax or impost that may otherwise be payable by the Participant or the Company in relation to the Plan;

  (e) for the purpose of enabling Participants generally (but not necessarily each Participant) to receive a more favourable taxation treatment in respect of their participation in the Plan; or

  (f) to enable the Company to comply with the Corporations Act, the ASX Listing Rules or any other Applicable Law or other legal requirement; or

(2) with the consent of Participants who between them hold not less than 75% of the total number of Options held by all Participants under this Plan before making the amendment.

13.3 ASX Listing Rules

Whilst the Company is admitted to ASX's Official List, no amendment may be made to these Rules which breaches the ASX Listing Rules.

13.4 Retrospectivity

Subject to the above provisions of this Rule 13 and Applicable Laws, any amendment made under Rule 13.1 may be given such retrospective effect as is specified in the resolution or instrument by which the amendment is made and, if so stated, amendments to these Rules, including the terms applicable to Options and Option Shares issued under this Plan, have the effect of automatically amending the terms of Options and Option Shares issued and still subject to these Rules.

13.5 Eligible Persons outside Australia

The Board may make any additions, variations or modifications to the Rules, including by way of sub-plan or ancillary plan, in relation to the implementation of the Plan and the specific application of the Rules, to Eligible Persons residing outside Australia, having regard to any securities, exchange control or taxation laws or regulations or similar factors which may apply to that Eligible Person, a Group Company or the Plan.

14 Financial assistance

Subject to the requirements of any Applicable Law, the Company may provide financial assistance to a Participant in connection with the Options under the Plan.

15 Rights of Participants and Relevant Persons

15.1 No conferred rights

These Rules:

(1) do not confer on an Eligible Person or their Nominee the right to receive any Options;

(2) do not confer on a Relevant Person any interest in or right or entitlement to any Options which the Relevant Person renounces in favour of a Nominee (if any);

(3) do not confer on a Relevant Person the right to commence or continue as an employee, contractor or officer of a Group Company;

(4) do not affect any rights which each Group Company may have to terminate or vary the employment, contractor engagement or office of a Relevant Person; and

(5) may not be used to increase damages in an action brought against one or more Group Companies in respect of that termination or otherwise.

15.2 Voting at general meetings

Participants do not, as Participants, have any right to attend or vote at general meetings of Shareholders.

16 Overriding restrictions on issue and exercise

Notwithstanding the Rules or the terms of any Option, no Option may be offered, granted or exercised and no Option Share may be issued under the Plan if to do so:

(1) would contravene any Applicable Law; or

(2) would contravene the local laws or customs of a Participant's country of residence or in the opinion of the Board would require actions to comply with those local laws or customs which are impractical.

17 ASIC relief

Notwithstanding any other provisions of the Plan, unless the Board determines otherwise, every covenant or other provision set out in an exemption or modification granted from time to time by the ASIC in respect of the Plan pursuant to its power to exempt and modify the Corporations Act and required to be included in the Plan in order for that exemption or modification to have full effect, is deemed to be contained in the Plan. To the extent that any covenant or other provision deemed by this Rule to be contained in the Plan is inconsistent with any other provision in the Plan, the deemed covenant or other provision shall prevail.

18 Attorney

Each Participant, in consideration of receipt of an Offer Document:

(1) irrevocably appoints the Company and any person nominated from time to time by the Board (each an "attorney"), severally, as the Participant's attorney to complete and execute any documents, including applications for Option Shares, and to do all acts or things on behalf of and in the name of the Participant which may be convenient or necessary for the purpose of giving effect to the provisions of these Rules;

(2) covenants that the Participant will ratify and confirm any act or thing done pursuant to this power;

(3) releases each member of the Group and the attorney from any liability whatsoever arising from the exercise of the powers conferred by this Rule; and

(4) indemnifies and holds harmless each member of the Group and the attorney in respect thereof.

19 Notices

Notices may be given by the Company to Participants and Relevant Persons in any manner that the Board may from time to time determine.

20 Severance

If any of these Rules are void, voidable or unenforceable, that provision will be severed and the remainder of these Rules will have full force and effect.

21 Governing law and jurisdiction

These Rules and the rights and obligations of Participants under the Plan are governed by the law of Western Australia and the Commonwealth of Australia, and each Participant and Relevant Person irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia and the Commonwealth of Australia.

22 Advice

Eligible Persons and their Nominees should obtain their own independent advice at their own expense on the financial, taxation and other consequences to them of or relating to participation in the Plan.

23 Privacy collection statement

23.1 Collection and purpose

(1) The Company needs to collect Personal Information about Eligible Persons and Participants for the Purpose. Personal Information collected by the Company may

include an Eligible Person's and a Participant's name, address, contact details, tax file number or other identification number, date of birth and any other information that is necessary or desirable for administering the Plan or achieving the Purpose.

(2) The collection by the Company of Personal Information about Eligible Persons and Participants may be required or authorized by law, including under the Corporations Act and/or applicable taxation laws. If this Personal Information is not provided to the Company, the Company may not be able to achieve the Purpose.

23.2 **Acknowledgement and consent**

By completing and returning the Application Form, each Eligible Person and Participant:

(1) acknowledges receiving the Company's privacy collection statement (as set out in this Rule 23);

(2) acknowledges that the Company may collect, hold, use and disclose Personal Information about them for the Purpose;

(3) authorises and instructs each Group Company and any agent or service provider of any Group Company to collect, disclose and transfer between each other (including those located outside Australia) any Personal Information as the Company may request; and

(4) acknowledges that each Group Company and any agent of any Group Company may disclose any Personal Information to the Australian Taxation Office, ASX, the Australian Securities and Investments Commission or any governmental agency or authority as may be required in connection with the administration of the Plan.

23.3 **Other provisions relation to Personal Information**

(1) An Eligible Person or Participant may access any Personal Information about them that is held by the Company by contacting the Company secretary.

(2) An Eligible Person or Participant may request that any Personal Information be corrected if that Personal Information is inaccurate or incomplete.

SCHEDULE 3 – TERMS AND CONDITIONS OF CLASS A OPTIONS

(a) **Entitlement**

Subject to the satisfaction (or waiver under paragraph (e)) of the relevant Vesting Condition as defined in paragraph (d) and subject to paragraphs (f) and (n), each option subject to these terms and conditions (**Option**) issued by Fe Limited ACN 112 731 638 (the **Company**) entitles the holder to subscribe for one fully paid ordinary share in the Company (**Share**) upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraphs (l) and (o), the amount payable upon exercise of each Option will be $0.032 (**Exercise Price**)

(c) **Expiry Date**

Each Option will expire at 5:00 pm (in Perth, Western Australia) on the date which is two years after the date of issue of that Option (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

Subject to paragraph (f), the Options are exercisable at any time on and from when either:

(i) the Company's market capitalisation (being the total number of Shares, excluding restricted securities, multiplied by the market price quoted on ASX at the end of the relevant trading day (as defined in the ASX Listing Rules, **Trading Day**) reaches or exceeds $20 million in Australian dollars for a period of at least 10 consecutive Trading Days on which Shares are able to be traded on ASX's trading platform (**Vesting Condition**) ; or

(ii) the Vesting Condition is waived by all or some of the Directors of the Company acting as a board or, where appropriate, a committee of the board (the **Board**) in accordance with paragraph (e) and that waiver is, or has become, unconditional,

until the Expiry Date (**Exercise Period**).

Any Trading Day on which Shares are only able to be traded on ASX's trading platform for part of that day is only counted as a Trading Day when determining whether the Vesting Condition is satisfied at the relevant time, if the Company's market capitalisation on that part day is less than $20 million in Australian dollars (**Non-vesting Part Day**). In the event that the Shares are subject to a trading halt or suspension from trading on the ASX's trading platform, the closest Trading Days, on which Shares are able to be traded on ASX's trading platform for the whole of those days, before and after the suspension or trading halt are treated as consecutive for the purpose of the Vesting Condition, unless there is one or two Non-vesting Part Days between them, in which case each of those Non-vesting Part Days also counts as a consecutive Trading Day under the Vesting Condition.

If the Vesting Condition is not satisfied (or unconditionally waived under paragraph (e)) by the Expiry Date, each Option will automatically lapse without any opportunity for exercise.

(e) **Change of Control Events**

If one or more Change of Control Events occurs before the lapse of Options held by that Option holder, the Board may, at its discretion waive the Vesting Condition (conditionally or unconditionally, at the Board's discretion) in regard to some or all of the Options held by that Option holder and consequently cause the Exercise Period to commence upon that waiver unconditionally taking effect.

If the Board determines to waive the Vesting Condition under this paragraph (e), the Company must within 14 days of that determination give notice to each Option holder affected by the Change of Control Event in respect of the Options held by the Participant.

In these Option terms, **Change of Control Event** means any of the following:

(i) the acquisition by any person, either alone or together with an associate (as defined in the *Corporations Act 2001* (Cth) (**Corporations Act**) for the purpose of Chapter 6 of the Corporations Act, **Associates**), of a relevant interest (as defined in the Corporations Act) in more than 50% of the issued shares in the Company;

(ii) a person (alone or together with its Associates) becoming entitled to sufficient shares in the Company to give it or them the ability, and that ability is successfully exercised, in a general meeting, to replace all or a majority of the directors of the Company;

(iii) the acquisition by any person, either alone or together with an Associate, of all or a substantial portion of the assets of the Company; or

(iv) such other event as the Board considers, acting reasonably, to be a Change of Control Event;

(f) **Company Representatives**

Notwithstanding all other terms and conditions of the Options, unless otherwise determined by the Board prior to the Expiry Date, if an Option holder (or the person or entity who the Board reasonably considers nominated that Option holder to hold Options) is a Company Representative as at the date of issue of Options to that Option Holder, all of that Option holder's Options:

(i) which remain subject to the unfulfilled Vesting Condition; and

(ii) for which the Vesting Condition has not been unconditionally waived by the Board under paragraph (e),

in both respects as at the date when that Company Representative ceases to be a Company Representative (**Cessation Date**), shall not become exercisable into Shares after the Cessation Date, even if the Vesting Condition is satisfied after the Cessation Date.

In these Option terms **Company Representative** means:

(i) a full or part time employee of a Group Company (including an executive director of a Group Company);

(ii) a non-executive director of a Group Company;

(iii) a contractor (including, without limitation, a consultant) of a Group Company who is:

(A) an individual with whom the Group Company has entered into a contract for the provision of services under which the individual performs work for the Group Company; or

(B) a company with whom the Group Company has entered into a contract for the provision of services under which an individual, who is nominated by that company, performs work for the Group Company,

where the individual who performs the work under or in relation to the contract is, or might reasonably be expected to be, engaged to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full-time position with the Group Company; or

(iv) a casual employee of a Group Company who is, or might reasonably be expected to be, engaged to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full-time position with the Group Company.

In these Option terms **Group Company** means the Company or an Associated Body Corporate and **Group Companies** means the Company and all Associated Bodies Corporate.

In these Option terms **Associated Body Corporate** means:

(i) a body corporate that is a related body corporate (as defined in section 9 of the Corporations Act) of the Company; or

(ii) a body corporate that has voting power (as defined in section 9 of the Corporations Act, **Voting Power**) in the Company of not less than 20%; or

(iii) a body corporate in which the Company has Voting Power of not less than 20%.

(g) **Notice of Exercise**

Subject to paragraph (f) the Options may be exercised during the Exercise Period by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

The Options held by each Option holder may be exercised in whole or in part, and if exercised in part, at least 1,000 Options must be exercised on each occasion.

(h) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(i) **Timing of issue of Shares on exercise**

Within 15 business days (as defined in the ASX Listing Rules, each a Business Day), or such later time as permitted by a waiver or modification of the ASX Listing Rules, after the Exercise Date the Company will:

(i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; and

(ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice and if necessary to ensure that an offer for sale of the Shares does not require disclosure to investors, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

If a notice delivered under paragraph (i)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, to the extent necessary to ensure that an offer for sale of the Shares does not require disclosure to investors, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(j) **Shares issued on exercise**

Subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws, Shares issued on exercise of the Options rank equally with the then issued Shares of the Company.

(k) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, subject to compliance with any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws, application will be made by the Company to ASX for quotation of the Shares issued as a result of the exercise of the Options.

(l) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(m) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and they do not entitle the holder to speak or vote at general meetings of the Company, receive a dividend, participate in any capital return or participate in new issues of capital during the currency of the Options without exercising the Options.

(n) **Bonus Issues**

Subject to the ASX Listing Rules, if there is a bonus issue to the holders of Shares (not being an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment), the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

(o) **Pro rata issues**

Subject to the ASX Listing Rules, In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to holders of Shares after the issue of the Options, the Exercise Price may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

(p) **Change in exercise price or number of underlying securities**

Subject to paragraphs (l), (n) and (o) an Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(q) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(r) **Transferability**

The Options are not transferable except that, subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws, if the Vesting Condition is satisfied (or unconditionally waived under paragraph (e)), the Option may be transferred, by an instrument of transfer, in the following circumstances only:

(i) a transfer constituting the necessary transfer documents following an acceptance of an offer made under an off-market bid relating to Options;

(ii) a transfer to a bidder on the sale of the Options under Division 3 of Part 6A.1 of the Corporations Act;

(iii) a transfer to a 100% holder on the sale of the Options under Division 2 of Part 6A.2 of the Corporations Act;

(iv) a transfer under Part 6A.3 of the Corporations Act to a person entitled to acquire the Options under section 661A or 664A of the Corporations Act;

(v) a transfer under a creditors' scheme of arrangement relating to the Options under section 411 of the Corporations Act; or

(vi) a transfer approved by the Board in those circumstances as may be determined by the Board.

SCHEDULE 4 – TERMS AND CONDITIONS OF CLASS B OPTIONS

(a) **Entitlement**

Subject to the satisfaction (or waiver under paragraph (e)) of the relevant Vesting Condition as defined in paragraph (d) and subject to paragraphs (f) and (n), each option subject to these terms and conditions (**Option**) issued by Fe Limited ACN 112 731 638 (the **Company**) entitles the holder to subscribe for one fully paid ordinary share in the Company (**Share**) upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraphs (l) and (o), the amount payable upon exercise of each Option will be $0.038 (**Exercise Price**)

(c) **Expiry Date**

Each Option will expire at 5:00 pm (in Perth, Western Australia) on the date which is two years after the date of issue of that Option (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

Subject to paragraph (f), the Options are exercisable at any time on and from when either:

(i) the Company's market capitalisation (being the total number of Shares, excluding restricted securities, multiplied by the market price quoted on ASX at the end of the relevant trading day (as defined in the ASX Listing Rules, **Trading Day**) reaches or exceeds $20 million in Australian dollars for a period of at least 10 consecutive Trading Days on which Shares are able to be traded on ASX's trading platform (**Vesting Condition**) ; or

(ii) the Vesting Condition is waived by all or some of the Directors of the Company acting as a board or, where appropriate, a committee of the board (the **Board**) in accordance with paragraph (e) and that waiver is, or has become, unconditional,

until the Expiry Date (**Exercise Period**).

Any Trading Day on which Shares are only able to be traded on ASX's trading platform for part of that day is only counted as a Trading Day when determining whether the Vesting Condition is satisfied at the relevant time, if the Company's market capitalisation on that part day is less than $20 million in Australian dollars (**Non-vesting Part Day**). In the event that the Shares are subject to a trading halt or suspension from trading on the ASX's trading platform, the closest Trading Days, on which Shares are able to be traded on ASX's trading platform for the whole of those days, before and after the suspension or trading halt are treated as consecutive for the purpose of the Vesting Condition, unless there is one or two Non-vesting Part Days between them, in which case each of those Non-vesting Part Days also counts as a consecutive Trading Day under the Vesting Condition.

If the Vesting Condition is not satisfied (or unconditionally waived under paragraph (e)) by the Expiry Date, each Option will automatically lapse without any opportunity for exercise.

(e) **Change of Control Events**

If one or more Change of Control Events occurs before the lapse of Options held by that Option holder, the Board may, at its discretion waive the Vesting Condition (conditionally or unconditionally, at the Board's discretion) in regard to some or all of the Options held by that Option holder and consequently cause the Exercise Period to commence upon that waiver unconditionally taking effect.

If the Board determines to waive the Vesting Condition under this paragraph (e), the Company must within 14 days of that determination give notice to each Option holder affected by the Change of Control Event in respect of the Options held by the Participant.

In these Option terms, **Change of Control Event** means any of the following:

(i) the acquisition by any person, either alone or together with an associate (as defined in the *Corporations Act 2001* (Cth) (**Corporations Act**) for the purpose of Chapter 6 of the Corporations Act, **Associates**), of a relevant interest (as defined in the Corporations Act) in more than 50% of the issued shares in the Company;

(ii) a person (alone or together with its Associates) becoming entitled to sufficient shares in the Company to give it or them the ability, and that ability is successfully exercised, in a general meeting, to replace all or a majority of the directors of the Company;

(iii) the acquisition by any person, either alone or together with an Associate, of all or a substantial portion of the assets of the Company; or

(iv) such other event as the Board considers, acting reasonably, to be a Change of Control Event;

(f) **Company Representatives**

Notwithstanding all other terms and conditions of the Options, unless otherwise determined by the Board prior to the Expiry Date, if an Option holder (or the person or entity who the Board reasonably considers nominated that Option holder to hold Options) is a Company Representative as at the date of issue of Options to that Option Holder, all of that Option holder's Options:

(i) which remain subject to the unfulfilled Vesting Condition; and

(ii) for which the Vesting Condition has not been unconditionally waived by the Board under paragraph (e),

in both respects as at the date when that Company Representative ceases to be a Company Representative (**Cessation Date**), shall not become exercisable into Shares after the Cessation Date, even if the Vesting Condition is satisfied after the Cessation Date.

In these Option terms **Company Representative** means:

(i) a full or part time employee of a Group Company (including an executive director of a Group Company);

(ii) a non-executive director of a Group Company;

(iii) a contractor (including, without limitation, a consultant) of a Group Company who is:

(A) an individual with whom the Group Company has entered into a contract for the provision of services under which the individual performs work for the Group Company; or

(B) a company with whom the Group Company has entered into a contract for the provision of services under which an individual, who is nominated by that company, performs work for the Group Company,

where the individual who performs the work under or in relation to the contract is, or might reasonably be expected to be, engaged to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full-time position with the Group Company; or

(iv) a casual employee of a Group Company who is, or might reasonably be expected to be, engaged to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full-time position with the Group Company.

In these Option terms **Group Company** means the Company or an Associated Body Corporate and **Group Companies** means the Company and all Associated Bodies Corporate.

In these Option terms **Associated Body Corporate** means:

(i) a body corporate that is a related body corporate (as defined in section 9 of the Corporations Act) of the Company; or

(ii) a body corporate that has voting power (as defined in section 9 of the Corporations Act, **Voting Power**) in the Company of not less than 20%; or

(iii) a body corporate in which the Company has Voting Power of not less than 20%.

(g) **Notice of Exercise**

Subject to paragraph (f) the Options may be exercised during the Exercise Period by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

The Options held by each Option holder may be exercised in whole or in part, and if exercised in part, at least 1,000 Options must be exercised on each occasion.

(h) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(i) **Timing of issue of Shares on exercise**

Within 15 business days (as defined in the ASX Listing Rules, each a Business Day), or such later time as permitted by a waiver or modification of the ASX Listing Rules, after the Exercise Date the Company will:

(i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; and

(ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice and if necessary to ensure that an offer for sale of the Shares does not require disclosure to investors, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

If a notice delivered under paragraph (i)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, to the extent necessary to ensure that an offer for sale of the Shares does not require disclosure to investors, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(j) **Shares issued on exercise**

Subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws, Shares issued on exercise of the Options rank equally with the then issued Shares of the Company.

(k) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, subject to compliance with any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws, application will be made by the Company to ASX for quotation of the Shares issued as a result of the exercise of the Options.

(l) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(m) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and they do not entitle the holder to speak or vote at general meetings of the Company, receive a dividend, participate in any capital return or participate in new issues of capital during the currency of the Options without exercising the Options.

(n) **Bonus Issues**

Subject to the ASX Listing Rules, if there is a bonus issue to the holders of Shares (not being an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment), the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

(o) **Pro rata issues**

Subject to the ASX Listing Rules, In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to holders of Shares after the issue of the Options, the Exercise Price may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

(p) **Change in exercise price or number of underlying securities**

Subject to paragraphs (l), (n) and (o) an Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(q) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(r) **Transferability**

The Options are not transferable except that, subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws, if the Vesting Condition is satisfied (or unconditionally waived under paragraph (e)), the Option may be transferred, by an instrument of transfer, in the following circumstances only:

(i) a transfer constituting the necessary transfer documents following an acceptance of an offer made under an off-market bid relating to Options;

(ii) a transfer to a bidder on the sale of the Options under Division 3 of Part 6A.1 of the Corporations Act;

(iii) a transfer to a 100% holder on the sale of the Options under Division 2 of Part 6A.2 of the Corporations Act;

(iv) a transfer under Part 6A.3 of the Corporations Act to a person entitled to acquire the Options under section 661A or 664A of the Corporations Act;

(v) a transfer under a creditors' scheme of arrangement relating to the Options under section 411 of the Corporations Act; or

(vi) a transfer approved by the Board in those circumstances as may be determined by the Board.

fe ltd

ACN 112 731 638

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Fe Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

ALL ENQUIRIES TO
Telephone: + 61 1300 554 474

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **9:00am on Saturday, 9 April 2016,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE
www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **www.linkmarketservices.com.au** into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

QR Code

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.

NAME SURNAME
ADDRESS LINE 1
ADDRESS LINE 2
ADDRESS LINE 3
ADDRESS LINE 4
ADDRESS LINE 5
ADDRESS LINE 6

X99999999999

PROXY FORM

I/We being a member(s) of Fe Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐ the Chairman of the Meeting *(mark box)*

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **9:00am on Monday, 11 April 2016 at 32 Harrogate Street, West Leederville, Western Australia 6007** (the **Meeting**) and at any postponement or adjournment of the Meeting.

Important for Resolutions 1 to 13: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1 to 13, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**), which includes the Chairman of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

Resolutions	For	Against	Abstain*
1 Change to the nature and scale of activities			
2 Election of Director – Graham Martin			
3 Election of Director – Paul Carroll			
4 Issue of Shares as Vendor consideration and approval to issue Shares convertible from Vendor Options and Converting Loan			
5 Issue of Shares – Capital Raising			
6 Approval of Incentive Plan			
7 Issue of Options to Graham Martin			
8 Issue of Options to Paul Carroll			
9 Issue of Options to Tony Sage			
10 Issue of Options to Mark Gwynne			
11 Issue of Options to unrelated parties			
12 Issue of Shares – Converting Loan Agreements			
13 Change of Company name			

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).